AFRICA RECOVERY

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Africa Agenda needs stronger support: UN

By Tim Wall

UN Secretary-General Boutros Boutros-Ghali and the General Assembly have both restated Africa's urgent need for debt relief and higher levels of resource flows to back its courageous economic and political reforms. Responding to Mr. Boutros-Ghali's first review of the UN New Agenda for the Development of Africa in the 1990s (NADAF), a 23 December General Assembly resolution called for "full and tangible" international support for NADAF, adopted in 1991 to reverse Africa's decline. It stressed the crucial need for increased financial flows to support African economic reforms, and urged that special attention be paid to poverty eradication and the social impact of structural adjustment progammes. However, a proposal by the Secretary-General to establish a $50-75 mn facility to help Africa diversify its commodity-dependent economies was deferred. Instead, donors proposed another round of "intensive consultations" now set to begin in April 1994.

The Secretary-General's report makes clear the urgency of active measures for Africa. Economic growth rates stagnated or turned negative in 1991-93, per capita incomes fell further, financial inflows fell sharply, the debt burden grew steadily heavier and terms of trade worsened. In contrast, NADAF estimates that recovery in Africa requires 6 per cent annual growth in the 1990s, supported by rising inflows of aid and other financial resources. Mali's UN Ambassador Nouhoum Samassekou voiced widespread concern that the New Agenda may "suffer the same sad fate that befell UNPAAERD [the 1986-90 UN Programme of Action for African Economic Recovery and Development]."

Somali leaders Gen. Mohamed Farah Aidid (left) and Mr. Ali Mahdi Mohamed (right) in Nairobi in March after signing peace agreement brokered by Mr. Lansana Kouyate (centre), Acting Special Representative of the UN Secretary-General. Peace and political stability are esential for tackling Africa's economic crisis.

Other African delegates expressed sharp disappointment at the divergence from NADAF goals. Africans have "spared no effort in shouldering responsibility" for their economic and social development, said Egypt's Permanent Representative to the UN Nabil Elaraby. Speaking on 4 November on behalf of the Organization of African Unity (OAU), he told the General Assembly that "the efforts of the international community thus far have not risen to the level of commitments outlined in the New Agenda or the aspirations of African countries."

"While Africa strives to put its own political and economic house in order, the international community must not remain idle or indifferent," Mr. Boutros-Ghali told a 2 December meeting of the Panel of High-Level Personalities on African Development (see page 38).

The UN system had itself failed to launch

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World Bank says adjustment works

By Roy Laishley

Adjustment is working in Africa, the World Bank argues in a major new study. Moving away from an aggregate picture of Africa which suggests unrelenting economic crisis, the report concludes that countries which undertook the most comprehensive reform programmes were rewarded by the fastest turnaround in growth rates. Those that reformed less or not at all experienced slower improvements or further deterioration. These findings remain true even after allowing for the impact of external factors such as aid flows and trade losses, according to the report.

But the Bank warns, in *Adjustment in Africa: Reforms, Results and the Road Ahead*, that for a continent which many observers argue is already suffering from "adjustment fatigue," a lot more still needs to be done. "The good news is that some African countries have improved their policies and reaped the gains in higher rates of growth," the Bank's Vice-President for Africa Edward Jaycox said during the March launch of the report in Washington. "The bad news is that they still have a long way to go in implementing the policies needed for growth sufficient to reduce poverty at a reasonable rate." The report is already fuelling controversy in some quarters, particularly in Africa where structural adjustment policies are often condemned for exacerbating poverty **(see article by Salim Lone, page 18)**.

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Devaluation hits the African franc zone

By Nii K. Bentsi-Enchill

Strikes, deaths in clashes with riot police and a ban on demonstrations in Senegal and Gabon in February have highlighted the political and social risks for 14 African franc zone governments after the massive devaluation of their common CFA currency on 12 January.

Pressured by France, the International Monetary Fund (IMF) and World Bank to take this first step towards halting a decade of economic decline, 13 African leaders had agreed to change the parity of the CFA franc — fixed since 1948 — from 50 to 100 = 1 French franc; the Comoro franc went from 50 to 75 = 1 FF.

With urban conditions volatile in several CFA countries, they also acted to cushion the immediate impact of the devaluation. Most governments slapped price controls on essential goods, nominally raised civil service salaries and postponed planned lay-offs (see box). France promised to cancel $4.3 bn of development debt, while the Bank and Fund offered adjustment loans totalling $3.2 bn over 1994-96. With UNICEF among those expressing alarm over likely damage to already poor health systems, France will subsidize for three months from 1 March, half the post-devaluation price rise of the 20 French medicines most widely used in the 14 countries.

But the price controls and subsidies are temporary, and disbursements of urgently needed foreign funds depend on meeting tough conditions of structural adjustment programmes (SAPs) that have had mixed results in Africa. The Bank predicts that devaluation and SAPs "should halt the decline in most countries within 6-12 months." But anxious leaders of CFA countries continue to lobby France and the IMF for more help (most recently, at a mid-March meeting in Ouagadougou), and the Fund expects real incomes to fall further this year. "If we don't succeed in promoting growth, there will be social disorder," warns IMF Managing Director Michel Camdessus.

The devaluation ("brutal and painful" according to Benin's President Nicéphore Soglo) is "the easy part of the reform process," says the World Bank. The hard part is maintaining "disciplined monetary, fiscal, and wage policies."* The IMF is offering up to $1.7 bn in 1994-96 to finance such policies, through standby loans for some CFA countries, with most preparing for the soft loans and tough conditionality of the enhanced structural adjustment facility (ESAF). The Bank is also offering loans totalling $1.2-1.5 bn in 1994 — "substantially more than if devaluation had not occurred," says Bank official Katherine Marshall — to support key policy changes in countries signing up with the IMF.

Agreements with the IMF

By mid-March, Cameroon, Niger and Senegal had IMF standbys; Côte d'Ivoire and Mali got ESAFs and Comoros a structural adjustment facility (SAF). Benin, Burkina Faso and Equatorial Guinea were in line for ESAFs, and Chad, Central African Republic and Gabon for standbys, all expected by end-March.

They stand to share in a promised rise in French loans for their budget deficits ($896 mn in 1994 from $586 mn in 1993). France also cancelled development debts ($1.1 bn) of the 10 low-income countries; half the development debt ($3.2 bn) of Cameroon, Congo, Côte d'Ivoire and Gabon (though after devaluation, the CFA amount stays the same); and wrote off $569 mn of arrears to its central aid agency, the Caisse française de développement.

Turning to the social sector, France and the World Bank promised to launch a $52 mn fund to promote education, health and public works for youth, although financing would depend on donor contributions. And with devaluation doubling foreign debt in CFA terms, France, the IMF and Bank promised to seek 50-100 per

**The Economic Crisis in the CFA Zone: the Need for a Comprehensive Reform Programme and a New Development Strategy*; World Bank, January 1994.

Debt and commodity-dependence

	External debt (1992 $mn)	Debt as % of exports (1992)	Trade balance (1988-91 $mn)	Raw materials as % of exports*
Benin	**1,367**	**232.2**	**-348**	**70**
Burkina Faso	1,055	191.2*	-292	88
Cameroon	**6,554**	**303.8**	**-16**	**92**
Cent. Af. Republic	901	523.3	-58	86
Chad	**729**	**318.3**	**-283**	**96**
Comoros	173	328.7	-42	95
Congo	**4,751**	**349.1**	**305**	**97**
Côte d'Ivoire	17,997	506.9	859	90
Eq. Guinea	**246**	**391.1**	**-18**	**52**
Gabon	3,799	149.8	1,096	96
Mali	**2,595**	**452.4***	**-253**	**83**
Niger	1,711	491.3	-111	98
Senegal	**6,607**	**226.1**	**-525**	**78**
Togo	1,356	247.2	-263	91

Source: World Bank, UNCTAD *1991

Devaluation cushions and shocks

- **Benin:** Price freeze on foods, pharmaceuticals and construction; 50 per cent tariff rebate; salary rise promised; CFA 1.5-2 bn project for unemployed youth launched.
- **Burkina Faso:** Education grants raised 8 per cent; from 1 April, 6 per cent average rise in public sector salaries; controls on prices and profit margins; industrial tax rates cut.
- **Central African Republic:** Price freeze on goods and services.
- **Congo:** Import taxes lifted on staple foods; price freeze on basic goods; public sector wage cut of 20-35 per cent postponed.
- **Côte d'Ivoire:** 5-15 per cent pay rise for civil servants; voluntary retirement with 18 months' salary to replace retrenchment plans; minimum wage up 10 per cent; value-added tax and customs tariffs cut; export bonus stopped; three-month price freeze on 34 goods; high-octane petrol and rice up 15 per cent; pharmaceuticals up 46 per cent, but price freeze on 46 essential drugs; price rises for water, electricity, telephone to be decided; cocoa, coffee, cotton producer prices up 20, 30 and 50 per cent, and 30-50 per cent for bananas, rubber, palm oil.
- **Gabon:** Price freeze on basic goods, petroleum products, utilities.
- **Niger:** Plans for import subsidies, civil service pay rise and price controls.
- **Senegal:** Cancellation of last August's 15 per cent public sector pay cut, 10 per cent rise promised for end-March; President Diouf to issue decrees on salaries, custom duties, food prices and taxes; 20-33 per cent rise in rice, flour, sugar, cooking oil, milk; 22-30 per cent rise for petroleum products, electricity, gas, transport; groundnut, cotton, rice producer prices up 43, 30 and 6 per cent.
- **Togo:** Price freeze on petroleum products, pharmaceuticals, foodstuffs; export controls imposed.

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Emergencies pose continuing challenges

Some 24 million Africans will need emergency food aid in 1994. But with pledges falling short of needs, the World Food Programme (WFP) has urged donors to redouble their efforts to help avert suffering. Estimated needs of over 3 mn tonnes in relief supplies could increase due to renewed drought in Eastern and Southern Africa and civil strife in many other countries. Emergency relief operations continue for refugees, returnees and internally displaced people in Central African Republic, Côte d'Ivoire, Djibouti, Ethiopia, Kenya, Malawi, Mauritania, Senegal, Sierra Leone, Swaziland, Tanzania, Uganda and Zimbabwe.

MOZAMBIQUE

A good 1992/93 harvest and sustained progress towards ending hostilities have reduced Mozambique's food aid requirements. However, they have also accelerated the return of refugees and increased demand for such resettlement needs as farm tools and seeds. The UN High Commissioner for Refugees (UNHCR) has appealed for $102.8m for the voluntary repatriation of 1.5 million Mozambican refugees in six Southern African countries.

UN Secretary-General Boutros Boutros-Ghali with Mozambican President Joaquim Chissano (left) and RENAMO leader Afonso Dhlakama (far right) in Maputo during his October visit.

In late February, UN Secretary-General Boutros Boutros-Ghali said that about half of the 4-4.5 million people internally displaced by the civil war had returned to their villages. A further 621,000 people — about 40 per cent of those who fled to neighbouring countries — had also gone back home.

More will be encouraged back by progress towards political settlement, although such problems as the Mozambique National Resistance (RENAMO) soldiers' slowness to disarm could yet stall the political momentum. In late February, the UN Security Council set a November 1994 deadline for ending the UN Operation in Mozambique (ONUMOZ). The Council also said that civilian police would begin replacing peace-keeping soldiers.

The breakthrough in the peace process came last October when Mr. Boutros-Ghali held meetings in Maputo with President Joaquim Chissano, RENAMO leader Afonso Dhlakama and other party leaders. The talks yielded critical agreements covering the assembly and demobilization of soldiers, the composition of the National Electoral Commission, a system and timetable for finalizing electoral laws; and creation of a National Police.

The timetable aims to complete demobilization of both armies by May 1994, training of the new Mozambican Defence Force by August, and schedules elections for October. The Security Council has made continued UN support conditional on strict adherence to the new schedule by the government and renamo. In December, the two parties began sending troops to assembly areas to begin demobilization. By 21 February, the UN reported receiving 26,768 government troops into the assembly areas, and 10,628 members of RENAMO forces. The World Food Programme (WFP) is to supply food for 83,000 soldiers over a six-month period.

Relatively peaceful conditions have enabled relief agencies to operate in previously inaccessible areas and farmers to take advantage of the good 1992/93 harvest. This has in turn reduced 1993/94 food aid needs. WFP says 1.1 million displaced people need food aid this year, down from 3.8 million in 1992-93. Needs for 1993/94 still amount to some 714,000 tonnes of cereals.

ZAIRE

Political turmoil, economic chaos and widespread armed forces' violence have left over 800,000 people destitute in Zaire. Malnutrition is worsening, particularly among children, who account for some 60 per cent of the displaced. A UN Inter-Agency Assessment Mission reports a marked deterioration in the food situation in northern Kivu, the Kasai and Shaba regions and in several major cities, particularly the capital, Kinshasa where the population has swelled to 4.5 million as a result of flight from rural areas. Over $84.2 mn is needed up to June 1994 for relief operations in conflict-affected regions, covering transport and logistics, sanitation, agriculture and shelter. Around 470,000 of the displaced come from Shaba in the Kasai region. Another 135,000, still concentrated in sites in Likasi and Kolwezi, are living in appalling conditions under constant threat of violence.

BURUNDI

The UN launched an end-March appeal for $53.3mn to meet the emergency humanitarian needs of Burundese displaced in the violent aftermath of the failed October coup. Roughly 1,000 people were killed in renewed violence in early March which also swelled the number of Burundese in need of emergency assistance. The six-month appeal

Mr. Ahmedou Ould Abdallah, Special Coordinator for Africa and the Least Developed Countries in the UN Department of Policy Coordination and Sustainable Development since 1991, was named last November as the UN Secretary-General's Special Representative for Burundi.

aims to assist over 1 million people including internally displaced families, returnees, and refugees in neighbouring Rwanda, Tanzania and Zaire. UNICEF has warned that as many as 10,000 children could die of starvation in the coming months, while 100,000 are at risk of malnutrition.

Coming on top of already chronic malnutrition in many rural areas, the suddenness and magnitude of Burundi's refugee crisis has overwhelmed relief efforts in some places. Disease, promoted by poor sanitation, overcrowding, insufficient water and food rations, is taking a heavy toll among refugees scattered along some 800 kilometres of Burundi's borders. Hundreds have died from dysentery, which has only recently been brought under control. Cholera and malaria are also striking both nationals and refugees. The highest mortality rates are in Rwanda where relief agencies face problems reaching many encampments.

The UN Department of Humanitarian Affairs (DHA) has already allocated $5 mn to WFP for emergency food aid, and in November launched a $9.5 mn inter-agency appeal for the internally displaced. In January, WFP announced a six-month extension of relief operations and a $45 mn appeal for funds. It estimates that by June, some 970,000 Burundese, a fifth of the population, will depend on food aid for survival.

Response to UN emergency appeals

	Requirements ($ mn)	Population affected (millions)	Funding to date ($ mn)	Percentage of needs covered	Implementation period
Angola	226.1	2.0	102.6	45	May '93-April '94
Burundi	**9.5**	**0.25**	**4.0**	**60**	**Nov. '93-Feb. '94**
Eritrea	80.5	1.6	39.6	49	Jan.-Dec. '93
Ethiopia	**301.0**	**6.5**	**138.0**	**46**	**Jan.-Dec. '93**
Kenya	185.7	1.7	118.6	63	Jan.-Dec. '93
Liberia	**149.9** **248.2**	**1.5** **2.0**	**102.0** **n.a.**	**68** **n.a.**	**July '91-Sept. '93** **Nov. '93-Dec. '94***
Mozambique	609.7	4.0	549.0	90	May '93-April '94
Rwanda	**78.5**	**2.0**	**30.8**	**39**	**April-Dec. '93**
Somalia	148.1	2.5	37.0	25	Jan.-Dec. '93
Southern Africa†	**950.6**	**18.0**	**724.2**	**76**	**Nov. '93-Feb. '94**
Sudan	279.7	6.5	120.7	62	Jan.-Dec. '93
Zaire	**84.2**	**n.a.**	**n.a.**	**n.a.**	**Oct. '93-June '94****

† Drought Emergency in Southern Africa (DESA) including Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe * 16 December launch ** Early December launch

Source: Based on data from UN Department of Humanitarian Affairs

RWANDA

Major outbreaks of violence left many thousands dead in the capital, Kigali, and elsewhere in the country following the death of President Juvenal Habyarimana and Burundi's President Cyprien Ntaryamira in a 6 April plane crash. Just prior to these events, the Food and Agriculture Organization (FAO) and WFP were set to launch an emergency operation in Rwanda after "the worst drought for many years" had left food supply critically short in all parts of the country, seriously affecting hundreds of thousands of Rwandans, even as the south was coping with additional demand for food from Burundese refugees.

Security had worsened despite the end-February deployment of more peace-keepers by the UN Assistance Mission for Rwanda (UNAMIR) which incorporates the budget of the UN Observer Mission to Uganda-Rwanda to facilitate implementation of the 4 August Arusha peace agreement between the government and the Rwanda Patriotic Front (RPF). With the security situation deteriorating in early March, UN envoy Jacques-Roger Booh-Booh and UNAMIR military leaders strongly urged the government and the RPF to speed up the process of setting up a broad-based transitional administration, a commitment they restated late last year. The Security Council was expected to approve an extension of UNAMIR operations in April.

LIBERIA

On 8 March, UNHCR asked major donors to disburse funds already pledged to support its efforts to help returning Liberian refugees. UNHCR has a tight schedule to repatriate as many Liberians as possible before elections scheduled for 7 September. While some 75,000 refugees have returned during the past year, around 700,00 remain in neighbouring countries. Guinea hosts 415,000, Côte d'Ivoire 250,000, Ghana 20,000, Sierra Leone 600,000 and Nigeria 3,000. The urgency of UNHCR's task has increased with the approach of the rainy season, which will make parts of Liberia inaccessible after May.

It has appealed for more than $60m for repatriation projects this year, but only some $6m has been received. A poor response to the UN's December 1993 emergency appeal for $248.2m is also hampering relief work for 1 million internally displaced people.

Meanwhile, disarmament of former civil war combatants started on 8 March — the day after the new Council of State took office. Disarmament is being supervised by the UN Observer Mission in Liberia (UNOMIL). In the first week, 913 soldiers and fighters had been relieved of weapons: some 279 from the Armed Forces of Liberia, 504 from the National Patriotic Front for Liberia and 130 from the United Liberation Movement for Democracy in Liberia (ULIMO). In all, some 60,000 combatants need to be disarmed. Despite delays, particularly among ULIMO forces, officials say the whole process will take up to three months.

SUDAN

The UN has launched a $279.7 mn appeal for 6.5 million Sudanese affected by war and drought. Government military offensives in the south have aggravated already acute food shortages putting more people at risk of hunger. A joint FAO/WFP mission has estimated the 1993/94 cereal deficit at 564,000 tonnes. Needs include 401,000 tonnes of cereals for 1.97 million displaced and war-affected people in the south and 1.3 million hit by crop failure in the north.

UN agencies confirm that malnutrition and disease are affecting 20-40 per cent of children under five years of age in drought and conflict-affected areas. Current pledges meet only 35 per cent of relief needs, and urgent steps are required to maintain relief operations. ■

UN brokers political accord in Somalia

By Tom Malinowski

In a breakthrough for the peace process, Somalia's 15 major movements signed a long delayed declaration on national reconciliation on 24 March. The declaration, which followed 10 days of talks brokered by UN Acting Special Representative Lansana Kouyate of Guinea, calls on accord participants and the Somali National Movement (SNM) to meet in mid-April to prepare for a major conference to appoint a President, Vice-Presidents, and Prime Minister on 15 May. It also sets out the signatories' commitment to implementing a cease-fire, disarming their militias and renouncing violence.

Re-evaluation of the UN Operation in Somalia, (UNOSOM II), became urgent in late 1993 when several governments, including the US, France, Germany, Italy and Norway, announced their intention to withdraw troops by end-March 1994. In February, the UN Security Council approved a smaller force with greater emphasis on Somali cooperation in peace-building efforts. UNOSOM II troop strength is to fall from 29,000 at the peak of the operation to 22,000, and authorized use of force now involves self-defence only.

Disarmament and cease-fire

UNOSOM will help the Somali parties cooperate in implementing the March 1993 Addis Ababa agreements on voluntary disarmament and a general cease-fire and the protection of major ports, airports and essential infrastructure in order to ensure smooth delivery of relief supplies throughout the country.

Sygma/Liz Gilbert

Baidoa market. UN efforts have brought a return to normality in many parts of Somalia

The April meeting will set out voting rules and procedures and criteria for participation in the National Reconciliation Conference. It will also discuss ways and modalities to establish a new National Legislative Assembly, to be set up after a new government is formed.

One of the first major challenges will be to bring the SNM, which has declared 'Somaliland' independent, on board the peace process. The SNM did not participate in the March talks and the declaration urges the movement to attend the April meeting and all subsequent national reconciliation conferences.

The more immediate challenge will be to ensure that the momentum for peace is sustained while the UN adjusts its peace-keeping operations following withdrawal of the last US troops.

Prior to the new accord, the chances of a scaled-down UNOSOM fulfilling such a mandate appeared to recede. Rearmament by some factions, widespread banditry and acts of intimidation and violence against aid workers and peace-keepers raised fears of a return to chaos. Earlier calls on the factions to reach agreement, desist from harassment and cooperate fully with UNOSOM were largely accepted by the Group of 12, but resisted by the SNA. The latter insisted on mediation by President Meles Zenawi of Ethiopia, as mandated by the Organization of African Unity (OAU) and the Inter-Governmental Authority on Drought and Development.

Despite major odds, UNOSOM has made continued progress, maintaining peace in most areas, and enabling a return to social and economic activities that were unthinkable two years ago. Somalia had a good main harvest in 1993, and cereal production in 1994 may reach 435,000 tonnes, well up on the past two years. UN agencies and non-governmental organizations (NGOs) have dug and repaired hundreds of wells and restored water supplies throughout the country. But an outbreak of cholera in several parts of Somalia in late February indicated the fragility of the health situation.

Still, malnutrition among children is now under 20 per cent, down from 60-80 per cent a year ago. About 75 per cent of children under 5 years of age have been immunized against various diseases, twice as many as before the civil war. Some 70,000 children attend rebuilt primary schools, again, more than before the crisis.

Some 200,000 Somali refugees were repatriated during 1993, the UN High Commissioner for Refugees reports, but UNOSOM II must still help over a million displaced people. Most were food producers, and food security will depend on their successful resettlement.

Foundation for civil government

UNOSOM II has laid a foundation for civil government where the rule of law had collapsed. Under the Addis Ababa agreements, it has supervised the creation of governing councils in 53 of Somalia's 81 districts, and in 8 of its 13 regions. The councils are taking charge of public safety, education, health and reconstruction. UNOSOM II has also set up 107 police stations in the districts, and trained police officers, judges and prison guards.

Councils have not been established in self-declared "Somaliland" in the northwest. However, disagreements with the administration there have been resolved, and UNOSOM II relief efforts continue in the region.

With the expansion of political institutions expected to complete a process of national reconciliation by March 1995, UN Secretary General Boutros-Boutros Ghali has urged the world not to "abandon the people of Somalia as long as the vast majority of them desire the presence of the UN." ■

Angola's difficult road to peace

By Patrick McCormick

Against a background of heavy fighting in parts of Angola and continuing peace negotiations in Lusaka, the UN launched a revised appeal in February for $179 mn in emergency aid for at least 3.3 million Angolans. This is more than a quarter of the total population, and a significant increase over the 2 million on whose behalf the UN launched a one-year appeal in May 1993. Noting the "severe damage" to Angola's economic and social fabric, the UN called for a "substantial injection of new resources" to ensure a steady flow of food and other supplies to relief operations in the February-July 1994 period.

Painstaking negotiations in recent months had brought dramatically improved access to affected parts of the country, the UN said. The presence of an increased number of international non-governmental organizations (NGOs) had also helped provide the basis for a much-expanded emergency programme. Elements of rehabilitation such as demobilization of combatants and clearing of land mines have been introduced in anticipation of a peace agreement. The new appeal also includes an Angolan government contribution to humanitarian and capacity-building activities, as well as over 70 project submissions by NGOs.

Food aid needs rise sharply

The biggest portion of the new appeal is for the World Food Programme's (WFP) plan to deliver 168,000 tonnes of food to 2.2 million Angolans at a cost of $84.6 mn. It stressed that war conditions limited this effort to a "realistic estimate" of the people it could reach in the February-July 1994 period. War has forced agricultural production down to only a fraction of capacity and even in areas spared from fighting, marketing of any crops harvested by April 1994 would be hampered by the collapse of inter-provincial trade and transport.

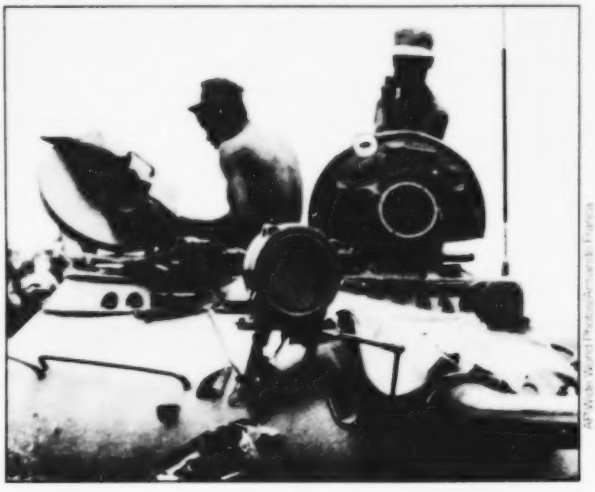
The UN predicts Angola will need food aid at least through mid-1995. Beneficiaries would include returning refugees as well as the internally displaced whose numbers have risen sharply to over 950,000. It said hundreds of people are still dying daily from starvation, disease, land mines and other effects of the war, despite UN and NGO efforts.

The new appeal specifically urges donors to pay more attention to non-food sectors of relief. UN Secretary-General Boutros Boutros-Ghali's end-January report to the Security Council had stressed that priority areas for funding were agriculture, health, nutrition and education "which until now have received very little support." The appeal also focuses on building strategic stocks, increased use of road and rail, timely delivery of farming inputs and preventive measures in health, nutrition and sanitation.

Although the Lusaka negotiations are yet to produce a comprehensive peace settlement, agreements reached so far include permitting safe passage for relief supplies through two land corridors — Luanda to Malanje, and Lobito to Kuito/Bié — as well as the opening of Catumbela airport in Benguela for relief flights. UNITA officials also agreed to allow international NGOs to work in Huambo, and an increased inflow of relief aid to UNITA-controlled areas. Overall, deliveries of emergency relief have tripled since September 1993.

After a five-month interruption, WFP had resumed flights from Catumbela in Benguela province last December and by 13 January 1994, it was reaching Malanje, Kuito/Bié, Huambo, Luena, Saurimo, Menongue and Cubal, where the situation was particularly grave. Aiming to deliver 3,000 tonnes of food aid a month, WFP began making up to 10 flights a day to Malanje from Luanda and from Catumbela. It is also airlifting relief items to 23 locations and reaches several others by road, compared to only 13 last November.

Despite numerous setbacks since UNITA rejected the September 1992 election results, UN Special Representative Alioune Blondin Beye says he detects a "new willingness" for an overall settlement. Without signing any truce, UNITA had accepted "in writing" the validity of the 1991 Peace Accords and had "taken note" of the Security Council resolutions. UN efforts had also brought agreements on the general principles covering a cease-fire and the withdrawal of UNITA forces from areas captured since September 1992. The current rounds of talks in Lusaka, which resumed after a break in December 1993, have also resulted in important agreements on the process for constituting a national police force for Angola.



Successful demobilization and the creation of a unified military force are crucial for peace in Angola

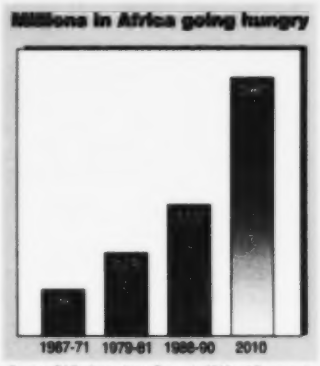
Key issues unresolved

Since mid-February, the talks have focused on bridging differences between the government and UNITA on specific principles of national reconciliation. Full details of the discussions have not been disclosed but, as the UN Secretary-General pointed out in his early March report: "Despite progress on some important points, it has not been possible to reach final agreement on this issue". Matters left unresolved include sharing of senior cabinet posts with UNITA. ■

Tackling the roots of rural poverty

Undernutrition is worse today in sub-Saharan Africa than it was 30 years ago and could remain "rampant" without a major effort to eradicate poverty, its root cause. But success will depend, among other things, on direct government interventions, says *Agriculture: Towards 2010*, a major study by the UN Food and Agriculture Organization (FAO).

Since most poor people depend on agriculture for jobs and income, increasing food production is the primary way to combat poverty. The absence of jobs in other sectors also points to agricultural development as the basic route to poverty reduction. By 2010, sub-Saharan Africa will still have the world's highest proportion of the workforce in agriculture (60 per cent). With the region in financial crisis and already heavily dependent on food aid, the FAO expresses alarm at the prospect of net cereal import needs more than doubling to some 20 mn tonnes a year by 2010.

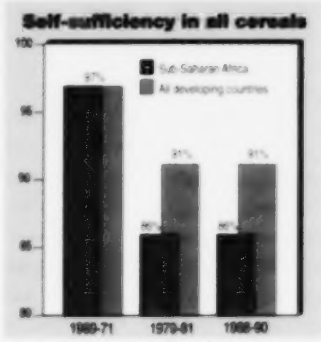


Source: FAO, *Agriculture: Towards 2010* * Projected

The priority, therefore, is to boost productivity and rural incomes and generate a surplus that can be transferred, not extracted, to other sectors, and to expand markets for domestic industry. The FAO recommends incentives for farmers, forest-users and fishermen to raise their output through sustainable production and resource management practices. Most food crops and livestock products, it says, could attain 3.2 per cent annual growth rates, keeping ahead of population growth. This would only "prevent further deterioration of already low nutrition levels," the alternative is some 300 million people, one-third of the population in 2010, suffering the "scourge of chronic undernutrition."

The challenge is to improve the conditions for food production in particular, and for agriculture in general. The study points out that little more that half of arable land in sub-Saharan Africa is planted and harvested in any given year, leaving ample capacity for more intensive and extensive food production. Harvested and arable land on the continent could expand by 34 and 20 per cent respectively by 2010, with nearly all the increase in arable land used for rain-fed crop production.

But if agricultural growth may alleviate rural poverty, access to land is a "major factor" in sustaining and broadening the positive impact. With progress in redistributive land reform limited by political constraints, the report says political commitment and strong public sector support for beneficiaries are "essential ingredients" for success.



Source: FAO, *Agriculture: Towards 2010*

The FAO advocates a strong government role, not only to maintain and increase investment in infrastructure, but also to provide the "appropriate legal and institutional environment" for agricultural development. One crucial area is marketing services where structural adjustment programmes (SAPs) curtail the public sector presence in favour of the private sector. The report stresses the need for a smooth transition since "the poor will suffer most if major disruptions in services occur."

This concern is echoed in a September 1993 study by the World Bank and Organization for Economic Cooperation and Development (see page 9) which argues that SAPs undermine the ability of agriculture to spur faster growth by eroding "public sector investment and extension services which ensure that appropriate technologies reach farmers and their crops reach market." The FAO adds that SAPs may increase incentives by raising producer prices, but also produce disincentives by abolishing subsidies on agricultural inputs and outputs.

Limited access to finance also hampers poverty reduction. Specialized rural credit institutions have often failed to reach the poor, the FAO says, recommending support for informal credit systems. It also advocates direct government interventions in food and nutrition, adding that public works and supplementary feeding programmes are generally good, but community participation makes them much more efficient and effective.

Governments should support rather than supplant the private sector in production and marketing, but they should also increase their support for research, technology development and transfer. Citing growing evidence of high rates of return to agricultural research, the FAO argues that investment in human capital and knowledge is crucial for development. ■

Policies for food security

With the goal of food security receding in many African countries, the International Fund for Agricultural Development (IFAD) argues that the key is simply enabling poor people to be more productive. In a recent publication*, IFAD says the rural poor work hard, but their efforts are hampered by such things as unfavourable pricing policies and credit systems. Poverty is shaped by social forces, reflecting imbalances in resource allocation that can be reversed, says IFAD.

The urgency of this task is illustrated by the fact that 20 of the 37 developing countries with the highest food insecurity are in sub-Saharan Africa. It finds only 12 of a 42-country sample surpassing minimum daily calorie requirements, while another seven remain below 80 per cent of the minimum.

IFAD recommends the provision and effective delivery of economic services and assets such as credit and appropriate technology. It stresses the need to focus on traditional crops, to promote off-farm income-generating activities and to promote popular participation. It also argues strongly for more direct support for the productive role of women, notably by improving their direct access to land, credit and extension services.

***IFAD, *The State of World Rural Poverty: A Profile of Africa*, Rome, 1993.**

Africa seeks redress for GATT losses

African leaders are calling for compensation as evidence mounts that the continent will be the only regional loser from the new international free trade deal concluded in December. The first opportunity for redress will be the 15 April finalization in Marrakesh, Morocco, of the Uruguay Round of trade talks under the General Agreement on Tariffs and Trade (GATT). The global agreement has cut tariffs and brought trade in agriculture and services under the GATT regime for the first time.

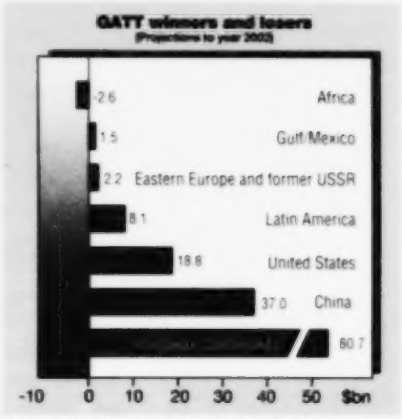
Net annual losses for Africa could reach $2.6 bn in the period to 2002, according to a September 1993 study commissioned by the Organization for Economic Cooperation and Development (OECD) and the World Bank.[1] In contrast, the leading industrialized countries stand to reap $135 bn, or 64 per cent of total annual gains in world income from GATT.

Responding to the projected losses, Mr. Layashi Yaker, Executive Secretary of the Economic Commission for Africa, called last December for one-quarter of the windfall for industrialized countries to go to building capacity and competitiveness in the less developed countries. Africa needs "effective relief measures," added Egyptian Ambassador Mounir Zahran, speaking for African countries at the GATT Negotiating Committee on 15 December.

Most scenarios of the likely consequences of the Uruguay Round show African export revenues declining as liberalized world trade erodes existing tariff preferences for Africa. Africa's mostly net food-importing countries will also be hit particularly hard by higher world food prices brought on by cuts in agricultural subsidies in developed countries. And as Mr. Yaker points out, failure to bring the Multi-Fibre Agreement under GATT discipline blocks expansion of African textile exports

The OECD/World Bank study argues that major beneficiaries of liberalized trade should provide "compensatory transfers, financing or access to markets" for countries that are harmed. Its recommendations include finance from the World Bank, direct food aid from the World Food Programme, and balance of payments lending from the Compensatory and Contingency Financing Facility of the International Monetary Fund (IMF) — although these loans are relatively expensive.

African countries will face "a further deterioration of their balance of payments situation and worsening of their debt servicing problems" unless measures to offset Uruguay round losses are taken, argues a 2 December 1993 evaluation by the UN Conference on Trade and Development (UNCTAD)[2]. Besides improved market access for African exports, it urges international support for African commodity diversification and competitiveness.



Source: Africa Recovery based on data from the World Bank/Organization for Economic Cooperation and Development

GATT officials concede that trade liberalization is likely to bring about a net loss for Africa, but they point out that the Uruguay agreement contains compensatory provisions. The most important is a GATT ministerial decision that offers the possibility of food and development aid for least developed and net-food importing developing countries that "may experience negative effects with respect to supplies of food imports." Special recommendations for net food-importing countries are to be announced by GATT's Committee of Agriculture on 15 April in Marrakesh, when the final amended text of Uruguay is signed.

Whatever happens there, GATT officials are confident of additional relief under the principle stated by Indian Ambassador B.K. Zutshi, Chairman of the GATT Contracting Parties, that "no participant should emerge a net loser." But his recommendation, that there should be "a monitoring mechanism to gauge the impact of the Uruguay Round results" and if there are losing countries "ways should be found to redress the situation by positive action, which may include compensation" is not a guarantee of help. The UNCTAD report warns that compensatory provisions in the GATT deal still "have to be made concrete and operational with clear guidelines to trigger the implementation of agreed operational mechanisms for food aid and in grant form."

It also points out that the compensatory provisions fail to address erosion of existing tariff preferences such as those in the Lomé Convention. These allow preferential market access to Europe for 69 countries in the African, Caribbean and Pacific (ACP) group (see page 16). The GATT deal enables non-Lomé countries to increase their share of European Union EU markets, and UNCTAD calculates that Africa will lose around 50 per cent of its competitive advantage in major EU, US and Japanese markets.

Already, Latin American countries have complained to GATT that their access to the European market is hampered by Lomé preferences. The original dispute focused on access for Latin American bananas, but the complaint was broadened and GATT has ruled that Lomé preferences generally contravene free trade conventions.

Regardless of the outcome, the ACP is struggling merely to maintain the current terms of the Convention, says ACP Secretary-General Gehbray Berhane. "We will not be able to seek compensatory preferences for losses due to the Uruguay Round" when mid-term revision of the Convention is negotiated with the EU in May, he told *Africa Recovery*. The British non-governmental organization Christian Aid called for compensation from the EU in a November 1993 report[3], since West Europe will benefit most from the Uruguay deal (by $81 bn a year) while the biggest losers come from the ACP group.

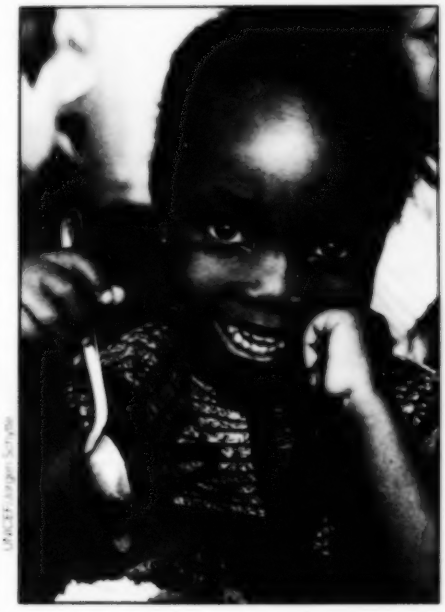
Mr. Berhane foresees long-term benefits for Africa from liberalized world trade, assuming continued progress of African economic reforms and greater foreign investment. But in the short term, he says, there will be "loss of market and loss of competitive advantage." ■

1. Trade Liberalization: Global Economic Implications, Ian Goldin, Odin Knudsen and Dominique van der Mensbrugghe, OECD/World Bank, September 1993.
2. Evaluation of the Draft Final Results of the Uruguay Round by African Countries, UNCTAD Working Paper, December 1993.
3. Winners and Losers: The Impact of the GATT Uruguay Round on Developing Countries, Peter Madden and John Madeley, Christian Aid, 1993.

Struggle for child health in Africa

By Amma Ogan

Africa is winning some important battles in the war against childhood diseases but the continent also gives "cause for the greatest concern," says the UN Children's Fund (UNICEF) in *The State of the World's Children 1994*. Each year, Africa spends four times more on debt payments than on health and the $10 bn involved also comfortably exceeds the estimated $9 bn total cost of meeting basic goals in Africa for health, nutrition, education and family planning.



UNICEF/Roger Scruton

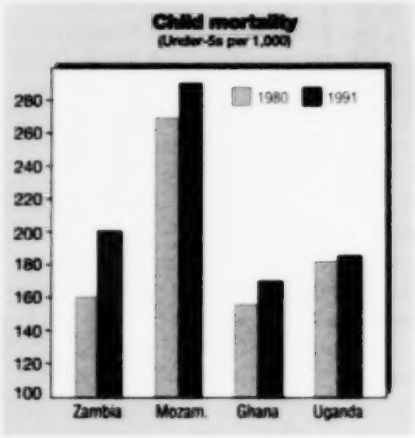
Healthy and well-educated children are vital for Africa's development.

Already suffering most from the vicious interaction of deepening poverty, rising population and environmental deterioration, Africa cannot recover from its "financial holocaust" without massive international help, UNICEF argues. Such help should include "drastic" cuts in annual debt service payments, fair and stable commodity prices, trade regimes that encourage economic diversification, and additional aid for investment in the health, education and employment of the poorest.

However, UNICEF finds little sign of action from developed countries geared at changing the current international economic framework which "disables, rather than enables" the poorest countries and peoples. Africa is the world region that most urgently needs to reach the goals agreed at the 1990 World Summit for Children. And although these goals are all practical and affordable, UNICEF argues that national and international progress is slowed by the "shameful fact" that the people in most need are "almost exclusively the poorest and least politically influential on earth."

Nevertheless, the report finds notable advances in Africa despite the depth of its socio-economic crisis. These range from the declaration of "polio-free zones" in North and South Africa, to the 90 per cent immunization coverage reached in Mauritius and Tunisia long before the target date of 2000. Rwanda, Tunisia and Zimbabwe are all likely to reach the mid-decade target of cutting measles cases by 90 per cent and measles deaths by 95 per cent. And Gambia, Guinea and Guinea-Bissau are among the countries that have eradicated guinea worm. The incidence of the disease has fallen from some 10 mn cases towards the end of the 1980s to under 1 mn in 1992. Ninety per cent of the remaining cases are found in seven African countries and Ghana and Nigeria — two of the worst affected — have halved guinea worm incidence in the last three years.

While sub-Saharan Africa is the only world region where malnutrition rates have not fallen over the last 15 years, 15 countries have managed to bring their rates below 15 per cent of children under-5, which is much better than the average for all developing countries. Another area of progress is the rise from 32 to 47 per cent of African families with access to safe drinking water, and even in Zambia, one of the poorest countries, maternal mortality has been lowered to some 150 deaths per 100,000 births. In education, UNICEF points to Zimbabwe's progress with 80 per cent of children now getting at least four years' primary schooling compared to only a third at independence in 1980.

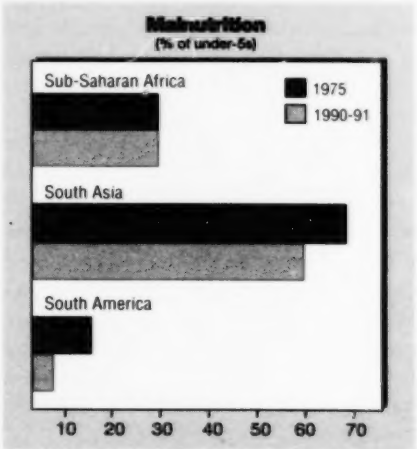


Source: UNICEF, *The Progress of Nations*

But overall progress is still too slow, UNICEF argues, noting that while sub-Saharan Africa's gross national product (GNP) was falling an average 2 per cent a year during the 1980s, school enrolment and retention levels stagnated or fell, leading to a reversal of the rapid gains in education made in the 1960s and 1970s (see page 23).

The coiled spring of poverty

Another important area of slow progress is family planning. Describing poverty as "the coiled spring that powers population growth," the report states that nearly half the population of sub-Saharan Africa (some 220 million people) lives in absolute poverty, and a minimum of



Source: UNICEF, *The Progress of Nations*

7.5-10 million households have in recent years had their livelihoods wiped out by war and other conflicts. And while the sub-Saharan population could virtually treble to 1.5 billion over the next 40 years, the region lags far behind other developing regions in access to family planning services — 10 per cent compared to 55 per cent in South Asia and 95 per cent in China and East Asia.

Low priority for the poor

But the problem goes "much deeper than lack of priority and lack of funds," says UNICEF, pointing to the debt payments, adjustment policies and falling commodity prices that have put disproportionate pressure on health and education budgets. The results have been an inadequate supply of family planning services and, in a context of high child mortality and low levels of female education, lower demand for family planning than elsewhere.

Although the report suggests the possible emergence of a new international ethic which emphasis poverty alleviation, UNICEF also notes that issues of interest to the poor "have always perched precariously on national and international agendas." To reach agreed goals for the world's children, governments will have to quickly begin committing 20 per cent of development aid to meeting minimum targets for nutrition, safe water supply, primary health care, basic education and family planning. The resources required to stabilize the world's population by making family planning generally available by the end of this decade are almost absurdly small when compared to the impact this would have in helping to manage the transition to a sustainable future, UNICEF argues.

It goes on to outline a "virtuous cycle" as the only practical hope for achieving basic human goals. The cycle, UNICEF points out, leads to smaller families and healthier, better educated children who are better equipped to earn a living and in turn nurture the upward spiral of progress.

Crucial to this progress is African governments acting on their promise to invest more in human development and to cut military spending more rapidly. But industrialized countries, the report argues, must also cooperate in the effort to reverse the downward spiral of poverty, population growth and environmental degradation, and enable "growth from below."

From words to deeds

UNICEF reasons that "if, after many decades of offering support to often blatantly corrupt and repressive dictatorships, the industrialized nations now wish to foster 'good governance' in Africa, they must also act to strengthen Africa's economic position." One urgent action is the adoption of new rules on debt relief to include all categories of debt owed to governments, to the International Monetary Fund and World Bank. The other is to change trade and finance policies which discourage diversification of developing country economies.

The report recalls the "far-sighted practicality" of the Marshall Plan, and stresses both the "fundamental self-interest" and "altruistic concern" that should guide Africa's creditors. But it finds "little sign" of readiness to act with "equivalent boldness and vision." The barriers to international action are essentially political, UNICEF argues, calling for changes that "ensure that political leaderships keep faith" with their promises, in order to end the "evils of mass malnutrition, disease, and illiteracy." ■

Wealth and human development

	Female literacy*	GNP per capita†
Madagascar	73%	$ 210
Zambia	65	420
Zimbabwe	72	620
Gabon	49	3.780
Algeria	46	2.020
Morocco	38	1.030

* 1990 † 1991
Source: UNICEF, The Progress of Nations

High GNP does not equal well-being

Defining progress from the standpoint of ordinary people can sometimes reverse the prism of gloom through which most of the poorer countries of the world are viewed, argues UNICEF. In its new annual publication, *The Progress of Nations*, it monitors development from the perspective of the 1 billion people in the world for whom "adequate food, clean water, safe sanitation, decent housing, reliable health care, and at least a basic education" constitute a dream yet to be achieved.

One of the report's important findings is that rich — as measured by high gross national product (GNP) — does not always correspond with achievements in child welfare or maternal well-being. Despite the general gravity of Africa's situation, there are four sub-Saharan countries among the seven developing countries with per capita GNP of $500 or below that have maternal mortality rates under 200 per 100,000 live births, significantly below the world average of 310. In contrast, Botswana is among the countries with relatively high per capita GNP ($2,590) where maternal mortality remains high (250 per 100,000). However, only 11 African countries have maternal mortality rates below the world average, and Africa's overall average (590 per 100,000 births) is the highest in the world.

UNICEF sets such figures in a context where 20 per cent of children in the US (where per capita GNP is $22,560) live below the poverty line, and one in eight does not get enough to eat. UNICEF adds that between 1979 and 1986 the percentage of families living in poverty doubled in the United Kingdom and rose by 47 per cent in the US.

In the vital area of female literacy, some countries with relatively low GNP have also done better than others with high GNP. For example, Madagascar's figures for GNP and female literacy in 1991 were $210 and 73 per cent; Zambia's were $420 and 65 per cent and Zimbabwe's were $620 and 72 per cent. This compared very favourably with Morocco ($1,030 and 38 per cent); Congo ($1,120 and 44 per cent) and especially Gabon ($3,780 and 49 per cent).

In terms of the number of years its children stay in school, sub-Saharan Africa ranks equally with the richer South American region — 48 per cent of those enrolled reach the fifth year. This is perhaps even more impressive in view of the disparity in initial enrolment — 71 per cent compared to 99 per cent. However, this regional average is substantially below the world average of 68 per cent, and could also alter significantly if data were available for such troubled countries as South Africa, Liberia, Uganda and Sierra Leone.

The statistics for sub-Saharan Africa in comparison to other regions of the developing world are otherwise disturbing, and include the fact that its regional average for under-5 mortality (183 per 1,000 births) is the highest in the world and about twice the world average. Africa also has four (Nigeria, 1 million; Ethiopia, 0.54 million; Zaire, 0.35 million; Tanzania, 0.23 million) of the 10 countries in the world that account for two-thirds of the 8.5 million annual under-5 deaths.

Africa's debt burden continues to grow

By Roy Laishley

A new agreement between Côte d'Ivoire and the Paris Club of official creditors will write off at least $2.5bn of the country's external debt under enhanced Toronto terms. The deal — agreed on 23 March — confirms that Africa's creditors are opting to broaden their debt relief to former middle-income countries, rather than deepen concessions to the poorest countries. This is despite confirmation from the World Bank that Africa's debt is rising while economic growth continues to stagnate.

Creditor officials have confirmed that in the wake of the devaluation of the CFA franc they are also expecting Cameroon to seek similar relief. Formerly designated as middle-income, both countries have now fallen into the low-income category. This makes them eligible for soft-loans from the World Bank and the International Monetary Fund (IMF), but their eligibility for the 50 per cent cancellation offered under "enhanced-Toronto" was not considered by creditors to be automatic.

Opposition from some creditors continues to prevent a deepening of present relief for the poorest to the two-thirds' cancellation of eligible debt proposed under the original Trinidad terms. At meetings of the official Paris Club in early March, Senegal and Niger secured conventional "enhanced Toronto" terms, although Senegal at least got some favourable treatment on arrears, officials said. The failure to offer deeper relief will disappoint African governments, whose distress is made clear in the latest edition of the World Bank's *World Debt Tables*, which shows another rise in the stock of debt and in arrears. Already two countries which had long avoided any formal rescheduling — Ethiopia and Kenya — have been compelled to seek relief, and officials say they expect a third, Algeria, to seek a Paris Club meeting later this year.

Some official creditors continue to be concerned over widening the net, some analysts say, because it would make it difficult for a large borrower such as Nigeria to be denied similar terms, if it was to bring its policies into line with the IMF — a continuing precondition for debt relief. Questions also remain on extending "enhanced-Toronto" to Congo and Gabon, the other major franc zone economies.

Tyre manufacturing plant in Senegal: Africa's debt burden is discouraging investment in non-traditional areas

Falling incomes

Poor economic prospects also offer little hope of any easing in the payments crunch. The UN's Economic Commission for Africa (ECA) predicts only 2.5 per cent growth for Africa this year at best, a level which will do nothing to reverse declining per capita incomes and thereby ease the mounting political pressures on many governments. With uncertain aid flows remaining well below the levels the UN and World Bank argue is needed to turn African economies around, the continent continues to face an acute crisis. "The prevailing economic and political conditions in Africa do not allow for much optimism," ECA Executive Secretary Layashi Yaker warned in a December speech.

The *Debt Tables* confirm the lack of progress in alleviating the continent's debt burden. For sub-Saharan Africa, the stock of debt at end-1993 is projected to have risen to $199 bn from $192.3 bn a year earlier. A principal factor in this rise is an increase in arrears (see table, page 14). These now total some $45.8 bn, equivalent to more than 20 per cent of the total debt stock. Mounting arrears helped to reduce actual debt servicing in 1993 to $11.35 bn from $13.99 bn in 1992. With the World Bank calculating that exports rose in 1993, sub-Saharan Africa's debt service ratio was also down, at 13.5 per cent against 16.9 per cent in 1992.

Revising the debt strategy

The World Bank's new study, *Adjustment in Africa*, underlines the scale of the region's debt problem. Even if Trinidad terms were granted, only six out of 21 severely indebted, low-income countries would be able to sustain servicing payments, the Bank calculates. Linking the debt issue to the success of current reform efforts, the Bank argues that "reducing Africa's external debt burden would provide clear signals to investors and governments that the debt burden will not unduly tax their efforts to promote economic recovery."

"This means rethinking the current debt relief strategy...even if that means differences in treatment across countries," the Bank says. Officials say that creditors are contemplating a range of debt relief, with cancellations between 50-80 per cent, as well as other measures such as action on debt stock ahead of the current schedule, depending on the nature of the country's debt burden and its reform effort. Early agreement, however, is not expected. An October meeting of the Paris Club, convened to discuss improved terms, broke up after the US insisted the timing was not right and Japan continued to show reluctance to grant deeper cancellation.

The urgency with which Africa's debt problems need to be resolved stems from the stubborn persistence of low economic growth rates. So far during the 1990s, African economies have grown by a mere 1.5 per cent a year — worse than during the "lost decade" of the 1980s (see graph). Last year saw a modest upturn, but only from 1992's appalling 0.7 per cent. Even then, North African economies grew by only 0.1 per cent in 1993, while Central Africa "stagnated," ECA figures show. A possi-

Strong downturn in US aid to Africa

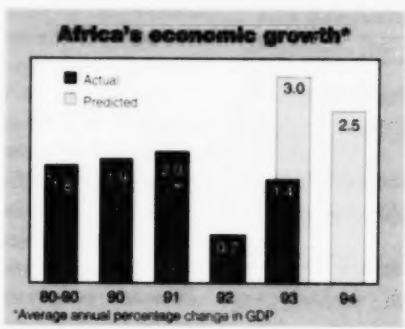
Total US aid to Africa will fall by nearly 30 per cent in fiscal year (FY) 1994 to $947.6 mn if the US Congress approves proposals made by President Bill Clinton in February. For FY 95, the proposals eliminate specific, country-by-country funding — except for Israel, Egypt and Russia — in favour of flexible promotion of broad policy objectives such as democracy, free trade, anti-terrorism and environment. With no funds earmarked for Africa in FY 95, some US lawmakers and non-governmental organizations (NGOs) fear further cuts in US aid to Africa.

Already, all categories of US economic support are down in FY 94, most notably foreign disaster and rehabilitation aid by 87 per cent to $20.6 mn, and food aid by 72 per cent to $93.4 mn. While US development aid slips modestly from $821.6 mn in FY 93 to $816 mn, only 6 per cent down on FY 92, it is part of a pattern that has seen total US aid to Africa fall by more than one-third since FY 92.

The decrease is part of a major overhaul of US aid machinery that includes the closure by the US Agency for International Development (USAID) of offices in 21 countries, nine of them African: Burkina Faso, Botswana, Cameroon, Cape Verde, Chad, Côte d'Ivoire, Lesotho, Togo and Zaire. The 21 offices were either in countries that firstly, had "graduated" beyond concessional grants; secondly, had only small programmes that could be run through regional offices; or thirdly, were "poor partners" unable to achieve sustainable development unless government policies changed, declared USAID Administrator J. Brian Atwood.

ble upturn in commodity prices, coupled with good weather, could lead to improved growth for some countries. Ethiopia enjoyed growth of over 9 per cent in 1993, Uganda 7 per cent and Mozambique 5.6 per cent, convincing demonstration of the benefits of peace, Mr. Yaker pointed out. But the expected persistence of low oil prices will restrain Africa's overall growth figures and export revenues, while conflict and political turmoil still threaten many parts of the continent.

Mr. Yaker pointed to the continuing political upheavals which both reflect the economic crisis and prevent countries capitalizing on any improvement in the global economic environment. Political turmoil impeded economic reform, Mr. Yaker observed, but he also pointed out the failure of structural adjustment programmes generally to provide a springboard for accelerated growth. The combination of poor economic performance, tough conditionality and inadequate aid flows has proved a combustible mix in many countries. "Given that the continent was already burdened with stringent austerity measures and growing social unease, further doses of economic retrenchments could only have proved, as they did in 1992, politically and socially burdensome," he said.



Despite some evidence that financial flows into Africa are being maintained, at least in nominal terms, Mr. Yaker said many reform programmes remain underfunded. Latest figures from the World Bank seem to confirm an upward trend in net financial flows to the sub-Saharan region. These are projected to have reached $18.68 bn in 1993, a nominal increase of 8 per cent on 1992's $17.26 bn. Net transfers, which take into account repayment of capital as well as interest, jumped an impressive $2 bn in 1993 to just over $9 bn, preliminary Bank figures show.

Latest figures from the Organization for Economic Cooperation and Development (OECD) also show a rise in net aid disbursements for the sub-region for 1992 to $18.93 bn from $17.16 bn in 1991, a rise in nominal terms of 10 per cent. For Africa as a whole, however, OECD figures suggest net disbursements were stagnant at around $24.85 bn.

The last figure compares unfavourably with the $30 bn target in the UN's New Agenda for the Development of Africa in the 1990s (NADAF).

Analysis by the UN suggests that, in real terms, aid flows to Africa as a whole remain not only inadequate, but declining (see page 1). Concern over the future trend of aid to the continent has been expressed not only by the UN but by the OECD and World Bank. At an October meeting in Paris aimed at reaching $8 bn in pledges for the third phase of the Bank's Special Programme of Assistance (SPA) to sub-Saharan Africa, donors were only ready to commit some $5.5 bn. Another meeting is planned for April where it is hoped that donors, such as the United Kingdom, which did not pledge earlier, will boost the SPA's new pool of funds.

Lower aid expectations

Japan has committed to raise aid to Africa, and at $1.1 bn will be by far the largest single donor to the SPA. But the description, by British aid lobbyists, of the UK's November decision not to cut aid as a major victory is more symptomatic of the current, low expectations for concessional flows. US aid to Africa is facing sharp cuts under President Clinton's proposals (see box). Canada cut back its aid programme in February and is considering further reductions. In a sign of present confusions, the North-South Institute, an influential think-tank, has proposed a diversion of resources from middle-income to low-income countries, but lists Cameroon and Côte d'Ivoire still among the richer group. And France's September decision not to automatically balance the budgets of the 14 members of the franc zone not only precipitated January's devaluation of the CFA franc, but is also symbolic of the reduced political profile for Africa.

According to the *Debt Tables*, sub-Saharan Africa's share of official development assistance (ODA) fell to 36.3 per cent in 1992 from 37.1 per cent in 1990, "reversing a long-run trend of increasing shares." At the same time, the share of Eastern Europe and the former Soviet Union (FSU) rose from 1.4 per cent to over 7 per cent. The IMF's Managing Director Michel Camdessus recently pointed out that donors had promised some $58 bn to the FSU. Although only some $38 bn has been delivered, this is still equal to Africa's entire net disbursements of official funds.

At a December meeting of their Development Assistance Committee (DAC), major donors agreed to exclude Eastern Europe and much of the FSU from its list of ODA recipients. Nevertheless, eight new countries have been added to the ranks of those eli-

SUB-SAHARAN AFRICA'S DEBT PROFILE ($mn)							
	1980	1988	1989	1990	1991	1992	1993†
Debt Stock							
Total debt	84,000	166,310	173,844	191,127	195,533	194,264	199,046
of which: Long-term debt	58,424	135,022	142,980	155,967	159,879	155,477	156,436
Debt to IMF*	3,033	7,000	6,380	6,612	6,603	6,345	6,391
Short-term debt	22,319	17,896	16,698	18,525	17,348	18,339	19,829
Interest arrears	224	6,392	7,786	10,023	11,702	14,103	16,390
(Principal arrears	*1,121*	*13,681*	*13,831*	*17,114*	*20,856*	*25,522*	*29,380)*
Debt Service							
Total debt service**	8,975	14,296	13,024	15,155	14,106	13,922	11,351
of which: Long-term debt	6,349	11,178	9,904	12,420	11,906	12,004	9,798
IMF payment/charges	580	1,495	1,596	1,190	841	716	358
Short-term debt (interest)	2,046	1,623	1,523	1,544	1,359	1,272	1,195
Debt Ratios							
Debt/exports (%)	91.0	244.5	240.8	227.0	237.4	235.3	237.1
Debt/GNP (%)	30.1	70.3	72.6	72.2	72.3	69.7	68.3
Debt service/exports%	9.7	21.0	18.0	18.0	17.1	16.1	13.5
Resource Flows							
Net resource flows††	15,139	14,399	18,181	16,503	17,249	17,260	18,676
Net transfers	7,646	7,072	9,101	6,355	7,449	7,079	9,022
Net transfers (IMF)	637	-462	-734	-455	-262	-189	-189
Net transfers (World Bank)	475	839	1,177	1,329	583	877	n.a.
Net FDI	-1	1,134	2,608	856	1,774	1,613	1,765

† Projected. †† Net resource flows are disbursements on long-term flows, minus repayment of principal; net transfers are net resource flows minus interest payments and repatriated profits. * Outstanding obligations to IMF. ** Debt service paid.

Source: Africa Recovery, from World Bank, *World Debt Tables* 1993-1994

gible to receive ODA. At the same time, existing low-income African countries face competition from the former middle-income African countries, such as Cameroon, Côte d'Ivoire and Nigeria.

Aid officials suggest that the problem will be eased by increasing selectivity by donors in favour of those countries sticking with the economic and political reforms they favour. Officials point to the recent consultative group meetings for Ethiopia, Malawi, Tanzania, Uganda, Zambia and Zimbabwe, as evidence of this trend. However, pledges still fell short of requirements in some cases and donors made funds conditional on evidence of reforms.

Mr. Yaker has argued that the growing scarcity of concessional funds could be eased if donors were to ease their conditionality on aid. He points to the growing pool of undisbursed debt to Africa which is running in billions of dollars. One factor blocking disbursements is Africa's many domestic problems. But donors are also deepening Africa's financial drought with conditions on aid precisely at a time when governments are finding it more and more difficult to implement the tough measures being demanded. Increasingly, these cover political — "good governance" — environmental and other issues, as well as purely economic or financial issues (see page 15).

Debt discourages investors

The concentration on the role of official flows in relieving Africa's financial crisis — both in terms of greater inflows and deeper debt relief — reflects the continuing failure of foreign investment into Africa to take-off despite the growing emphasis on private sector development and privatization initiatives. Net foreign direct investment into sub-Saharan Africa last year was a projected $1.76 bn, marginally up on 1992, but still down on 1991.

For the first time, sub-Saharan Africa has registered a blip on the screen for portfolio investment, with $144 mn in 1992 and $224 mn in 1993. These amounts, minuscule when set against total portfolio flows to developing countries of over $13 bn, reflect the start up of the first regional equity fund for Africa and country funds for Mauritius and Nigeria.

But as Mr. Yaker pointed out, foreign investors cannot be expected to risk funds in Africa if domestic investors are not prepared to take the same risk. The *Debt Tables* show that the stock of flight capital from Africa remains huge at some 90 per cent of regional gross national product.

Restoring investor confidence in African economic management is therefore an imperative, Mr. Yaker believes. To this end, the ECA is mounting a campaign to coordinate donor and African efforts to strengthen indigenous capacity to plan and manage its own economic direction, starting with the Council of Ministers meeting in Addis Ababa in April.

Echoing the World Bank, Mr. Yaker argued efforts to attract investors will be badly constrained while Africa's debt burden remains. "Unless, bold new measures are taken in 1994 to reduce the debt stock and debt servicing requirements of African countries, economic growth will again be limited as more of the meagre resources available are devoted to debt repayments," Mr. Yaker said. The latest measures are unlikely to be seen as bold enough for many investors. ■

Aid conditionality is 'swamping' Africa

By Patrick Smith

With aid flows to Africa under threat, and the continent's debt burden rising, particularly to the World Bank and International Monetary Fund (IMF), the debate has intensified over the proliferation of conditions put by donors on their aid. These strings attached to aid could be used "as a pretext" to reduce resource flows to the continent, argued Guinean Finance Minister Soriba Kaba during a September 1993 meeting with World Bank president Lewis Preston.

Others suggest that conditionality verges on being counterproductive. Supposedly quick-disbursing adjustment loans are "routinely" held up whenever "strict policy implementation and macroeconomic performance conditions are not attained," said Mr. Layashi Yaker, head of the UN Economic Commission for Africa, last December. While African countries must improve on implementation of their contractual obligations, Mr. Yaker also argued that in setting conditionalities, external creditors "must also show greater understanding" of African governments' "limited room for manoeuvre."

In any case, observes Mr. Tony Killick of the UK's Overseas Development Institute, the "explosion" of conditionality in the last decade has had only a "modest" impact on securing donor-approved policy changes for economic programmes which have in turn had "rather weak results." Conditionality had a decisive and sustained influence on exchange rates and was positively associated with freeing consumer prices and higher producer prices, he said in a paper submitted to the World Bank and IMF Joint Development Committee meeting last September. But it was also "easy to exaggerate" the leverage of conditionality on promoting financial sector reform and privatization. And the number of African countries that had persisted with reform was "quite small," Mr. Killick concluded.

Conditionality has also been criticized for its "essentially coercive" nature which, Mr. Killick says, often arouses resentment in African ministers and officials who must implement the measures "and live with their consequences." Mr. Kaba also said some donors came to adjustment loan negotiations with a "shopping list" of budget items to be cut. African finance ministers felt they "should take the lead in public expenditure reviews" with donors playing only a "strictly advisory" role, he added. Both he and Mr. Killick stress that this external imposition undermines the sense of "ownership" now widely seen as crucial for the credibility and success of adjustment programmes.

Nevertheless, donors continue to attach strict conditions to their aid. African franc zone countries, for example, have massively devalued the CFA franc and must meet other strict terms for aid from France, the IMF and the World Bank (see page 3). The European Union also wants to extend and toughen economic and political conditionality for continued aid to African, Caribbean and Pacific countries under the Lomé Convention (see page 21).

Bilateral donors have in turn been vigorous. After suspending aid to Kenya in 1991, donors at a November 1993 consultative group meeting made their promise to resume disbursements in 1994 dependent on "progress in implementing the economic reform agenda," as well as "strong positive steps on human rights, governance and corruption." They also steered Kenya to seek its first ever Paris Club deal in January over its $500 mn debt arrears.

"The association by the Paris Club of IMF conditionality with renegotiation of debt terms...has forced many countries in Africa with debt problems to submit to perpetual negotiation with the IMF over their economic policies. This exercise in external control...promotes a relationship with the IMF somewhat akin to that of colonial power and colony."

David Finch

Malawi and Zambia, two countries in the throes of political and economic troubles, also faced tough conditions. Donors told Zambia last December that disbursement of $800 mn in pledges — substantially short of World Bank-estimated requirements — depended on economic policy performance and "good governance." A strong complaint by Zambia's Finance Minister Ronald Penza of undue interference by donors echoed Mr. Kaba's statement last September that multilateral institutions and bilateral agencies were applying criteria on such key issues as governance and performance "without agreed parameters and precise definitions." At a meeting in March, donors pledged the full $1.1 bn requested.

With most African countries distressed by debt, economist David Finch said in a research paper for the UN Conference on Trade and Development (UNCTAD) that "(the) association by the Paris Club of IMF conditionality with renegotiation of debt terms...has forced many countries in Africa with debt problems to submit to perpetual negotiation with the IMF over their economic policies. This exercise in external control...promotes a relationship with the IMF somewhat akin to that of colonial power and colony."[1]

In practical terms, proliferating conditionality can result in "impossibly large numbers of commitments," says Mr. Killick. Using World Bank data, he cites the example of Uganda which made 79 specific policy commitments to donors for the 1991-92 fiscal year even as it was trying to rebuild public administration after prolonged internal war.[2]

Mr. Killick estimates that in 1980-92, African countries conducted roughly 8,000 separate negotiations with creditors. With more rounds of negotiation ahead, he says conditionality is intensifying and "swamping" African policy advisers. This reduces African input and increases the danger of economic programmes "inappropriate to local circumstances because they are donor-designed." Every new extension of conditionality by international financial institutions and every additional demand on overloaded debtor governments, he warns, "will reduce the probability that each conditionality will be observed, leading again to a misapplication of human and financial resources," and avoidable human hardship. ■

1. "IMF surveillance and the Group of 24," *International Monetary and Financial Issues for the 1990s — Research Papers for the Group of 24*, Vol. II, UNCTAD, New York, 1993.

2. "Enhancing the cost-effectiveness of Africa's negotiations with its creditors," in Vol. III of the same UNCTAD Research Papers series.

World Bank report

from page 1

Out of 26 sub-Saharan countries closely studied, the Bank says six — Burkina Faso, The Gambia, Ghana, Nigeria, Tanzania and Zimbabwe — have improved policies the most and reaped the returns. But in one of its more disturbing conclusions, the Bank observes that "current growth rates among the best African performers are still too low to reduce poverty much in the next two or three decades."

Challenging much recent criticism, the report argues that adjustment in general has not had a high social cost and in fact is probably helping to reduce poverty. But the report admits that the evidence on this issue remains inconclusive because of inadequate data. In any case, adjustment is only "the tip of the iceberg of development efforts in Africa," according to Mr. Jaycox. "It is not a substitute for strong public investment programmes, capacity-building, and better public sector management.".

Adjustment is only the tip of the iceberg of development efforts in Africa. It is not a substitute for strong public investment programmes, capacity-building, and better public sector management.

Mr. Edward Jaycox,
Vice President for Africa
World Bank

Billed as the most comprehensive effort to date on "one of the most controversial aspects of the Bank's involvement in Africa," the report largely restricts its detailed analysis to the relationship between reform and economic growth. For the Bank, the foundation for growth consists of reining in budget deficits, flexible exchange rates, controlling inflation, freeing agriculture from price controls and taxes, reducing trade barriers and reforming the public and financial sectors. In ranking countries by their policy performance, however, the Bank concentrates on just three areas — fiscal, monetary and exchange rate policy (see table, page 17). The six countries which went furthest in putting appropriate measures into practice in what the Bank calls the "adjustment period" from 1987-1991, experienced a median improvement of 1.8 percentage points in the growth rate of per capita gross domestic product (GDP) and an improvement in GDP per capita of 1.1 per cent. The nine moderate adjusters also saw a median improvement of 1.5 percentage points in average per capita growth rates between the two periods, though average per capita growth remained negative. But for countries where policies deteriorated, there was a median fall in growth rates of 2.6 percentage points.

The report finds that the differences in performance between countries with improving and deteriorating policies was true for most indicators. Countries which made the most radical changes in policies experienced the largest upturns in growth of exports and industrial production and, where agricultural reforms were undertaken, for farm output as well. However, the Bank observes, less satisfactory progress has been made in the crucial areas of public sector and financial reform.

But the report also indicates the fragility of the reform effort in Africa. Firstly, at best, reforms are helping to bring only very modest levels of growth — 0.4 per cent per capita during 1987-91 for all 15 countries where policies improved. Secondly, countries have found it difficult to stick with the reform process in all its necessary rigour, with 11 out of 26 countries demonstrating a deterioration in policies and one of its six best performers — Nigeria — recently abandoning the measures the Bank argues are most crucial for growth.

Report's major findings

TRADE: The Bank stresses that export promotion and greater integration into the world's trading system is the way forward to faster growth in Africa. Governments should consider an "exporters first" rule when considering policy reforms, the Bank argues. To this end, the report advocates a range of measures, such as export retention schemes and advantageous access to imports and credit.

The Bank challenges the argument that encouraging increased production of African commodities will, because of the limited potential for increased demand, only lead to sharp price falls and consequent loss of revenues. The so-called "adding-up" problem is limited to only a few of Africa's exports, the Bank argues — cocoa, coffee, sisal, tea and tobacco, with only the first suggesting a serious chance of a decline in revenue resulting from increased production. However, its own data shows that these commodities account for over half of Africa's agricultural export revenues; and there is no comparable analysis of possible "adding-up" problems for other exports, such as oil.

While its advocacy of export promotion remains undiminished, the Bank appears to have modified its embrace of full import liberalization. Driven by the need to preserve government revenue, rather than any acceptance of the need to protect infant industries, the report urges caution in reducing tariffs. "African governments are correct to put revenue consideration ahead of any push to achieve a low (10 per cent) uniform tariff rate," the report says. "Even very high tariffs, if imposed only for a clearly limited transition period, can be consis-

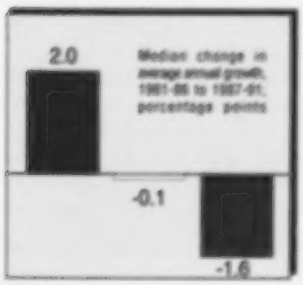
Summary of Adjustment Report

- Few of the study's 26 countries implemented adjustment measures comprehensively or consistently. The policy reform effort remains very fragile throughout the region.
- However, the six that came closest to sustained implementation of fiscal, monetary and exchange rate reforms had the fastest turnaround in per capita GDP growth, and experienced average GDP per capita growth of 1.1 per cent a year during the 1987-91 adjustment period.
- The majority of Africa's poor have "probably" gained from reforms. However, lack of data means this cannot be proved.
- Good policies — liberalization, sensible fiscal, monetary and exchange rate regimes and lower taxation of productive sectors — are critical prerequisites for development. But they will only succeed if complemented by greater investment in human capacity and better governance.

tent with the long-term objectives of adjustment," it says. But it advocates rapid lifting of non-tariff barriers, particularly import licences, and maintenance of incentives to exporters remains an imperative for overall trade policy.

AGRICULTURE: With the overwhelming majority of Africa's poor living in rural areas, one of the most gratifying findings of the Bank study, according to Mr. Jaycox, is that countries that have liberalized their pricing and marketing of agricultural products and reduced taxation of farmers have seen a marked resurgence in production. The study finds that the countries that decreased taxes the most experienced a difference in average agricultural growth between the two periods of 2 percent-

Taxation and agricultural growth



■ Countries with large decrease in overall taxation of export crop producers
□ Small decrease in overall taxation
■ Increase in overall taxation

These country groupings differ from those in the table and in the graphs on page 19.

Source: World Bank

age points. Those that lowered taxation less or that actually increased it recorded a downturn in rates of production (see graph). Similarly, increases in real producer prices for export crops led to a jump in production, whereas declining real prices led to a fall-off in output, the study finds. However, the Bank's six best policy performers, as a group, experienced a downturn in the rate of agricultural growth, largely as a result of sharp falls in The Gambia and Zimbabwe.

Responding to criticisms by Oxfam, among others, that the removal of public monopolies, such as marketing boards, has merely exposed farmers to similar exploitation by private traders who also dictate prices, the report concedes that the response of the private sector to removal of price controls has "sometimes been disappointing." This, however, it attributes to poor infrastructure such as inadequate roads and transport services and to "a lingering web of controls." Stressing the importance of lowering marketing costs, the Bank emphasizes that policy reforms have to be complemented by investment in rural infrastructure.

INDUSTRY: The Bank finds no "systematic evidence" that Africa is being "deindustrialized" by adjustment and trade liberalization. Instead, it says, countries that improved policies most saw a sharp turnaround in industrial output — The Gambia was the only exception. Countries with a small improvement in policies also saw a noticeable gain, though even countries where policies deteriorated experienced an upturn in output.

The report admits that much of the evidence remains circumstantial, but it cites Ghana as evidence that adjustment is leading to a more vibrant industrial sector, not less. With policies enforcing closures among usually large, often state-owned producers deemed inefficient, at the same time as they are providing incentives for more competitive, usually small, private companies, the long-term trend is still unclear. However, in Ghana almost two-thirds of the increase in manufacturing employment since 1987 is attributable to new firms entering the market, the Bank says. How sustainable these new producers — often little more than single households — will prove to be is the "big question." Increased technological capability may be a "prerequisite for further fast-paced industrial growth," the Bank warns; which raises the issue of both access to overseas "know how" and investment in local education and technical training systems.

Africa's adherence to adjustment policies

The World Bank says no African country comes close to achieving a sound macroeconomic environment, defined as inflation of under 10 per cent, a very low budget deficit and a competitive exchange rate. For the 1990-91 period, the Bank says Ghana comes closest, with "adequate" policies, while 13 other countries have "fair" policies.

Comparing a 1981-86 "pre-adjustment period" with a 1987-91 "adjustment period," the study measured the turnaround in economic growth as well as the change in macroeconomic policies. On policies, countries were evaluated against complex performance criteria in three main policy areas: **fiscal** — changes in budget balance and total revenue; **monetary** — changes in money supply and inflation; and **exchange rate** — changes in real effective exchange rate and parallel market premium. The Bank then grouped countries according to whether they showed "large" or "small improvement" or "deterioration" in policies. Countries were also ranked in terms of the difference between per capita GDP growth rates in the two periods (see last column).

Ranking based on policies*	Country	Average annual per capita growth rate (%) 1981-86	1987-91	Difference between the two periods (% points)	Ranking based on difference in growth*
	Large improvement in macroeconomic policies				
1	Ghana	-2.4	1.3	3.7	4
2	Tanzania	-1.7	1.3	2.9	5
3	Gambia	1.2	0.3	-0.8	17
4	Burkina Faso	2.2	0.4	-1.7	21
5	Nigeria	-4.6	2.4	7.0	2
6	Zimbabwe	0.3	1.0	0.7	14
	Mean	**-0.8**	**1.1**	**2.0**	
	Median	**-0.7**	**1.1**	**1.8**	
	Small improvement				
7	Madagascar	-3.7	-2.1	1.6	9
8	Malawi	-1.4	0.7	2.2	8
9	Burundi	2.1	1.2	-0.9	18
10	Kenya	-0.5	0.9	1.5	10
11	Mali	0.4	-1.2	-1.6	20
12	Mauritania	-0.9	-1.0	-0.1	15
13	Senegal	0.4	-0.2	-0.6	16
14	Niger	-4.9	-2.4	2.5	7
15	Uganda	-1.5	2.8	4.3	3
	Mean	**-1.1**	**-0.1**	**1.0**	
	Median	**-0.9**	**-0.2**	**1.5**	
	Deterioration				
16	Benin	1.1	-2.0	-3.1	25
17	Cent. Afri. Rep.	-0.1	-2.8	-2.6	23
18	Rwanda	0.4	-5.0	-5.5	27
19	Sierra Leone	-2.1	0.8	2.9	5
20	Togo	-2.8	-1.4	1.4	11
21	Zambia	-3.2	-2.3	1.4	11
22	Mozambique	-5.9	1.7	7.6	1
23	Congo	4.1	-0.7	-4.9	26
24	Côte d'Ivoire	-4.2	-6.8	-2.6	23
25	Cameroon	4.6	-7.9	-12.5	28
26	Gabon	-2.7	-1.9	0.9	13
	Mean	**-1.0**	**-2.6**	**-1.6**	
	Median	**-2.1**	**-2.0**	**-2.6**	

*Chad and Guinea-Bissau were not ranked by policy changes, but were ranked by difference in GDP growth rates, as numbers 22 and 19 respectively. Guinea was not ranked by either criterion because of insufficient data.

Adjustment report skirts questions of poverty, sustainability

By Salim Lone

For some years now, the vast majority of Africans have recognized their continent's policy failures, and accepted the need for fundamental policy reform. Virtually every single African government has embraced market realities, and most countries are working with the World Bank to implement tough, politically risky adjustment programmes which would help lay the groundwork for economic recovery. The continent has been consistently challenged, however, by two aspects of adjustment: how to make it more socially and politically sustainable, and how to ensure it reduces poverty in what is already the world's most impoverished continent.

The Bank report will not give much comfort to those struggling to confront these two central questions. Instead, the Bank narrowly focuses, for the fourth time in recent years, on arguing the case for adjustment. Important as that message is, it has been overtaken by the compelling African concerns stated above. These concerns are in fact strengthened by the Bank's twin assertions that in Ghana, the country it regards as having the most effective adjustment policies, the poor "will not cross the poverty line for another fifty years," and that after a decade of implementing structural adjustment programmes, not a single African country has achieved a sound macro-economic policy.

Too many Africans perceive the Bank as being detached from their continent's reality ... The Bank would dispel this perception by acting more forcefully on behalf of the region's developmental priorities.

Not surprisingly, therefore, there has been strong criticism of the new report from the NGO community in particular. Oxfam in England labelled the study "a blend of half-truths, oversimplifications and institutional propaganda," and Douglas Hellinger of the Development Group for Alternative Policies, testifying before the US Senate, assailed the report as "deceptive" and as an "insensitive attempt to dismiss the realities and suffering of the poor with self-serving assumptions."

Ironically, the report makes only modest claims about adjustment, candidly indicating that the best adjusters achieved only limited per capita growth. In addition, the Bank clearly accepts adjustment's limitations, acknowledging more explicitly than ever before that adjustment alone cannot solve the problem of poverty on the continent.

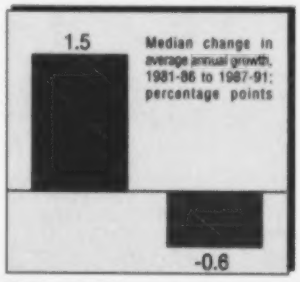
Virtually all commentators have nevertheless criticized the optimistic tone which couches even these modest claims. The *Wall Street Journal*'s Tim Carrington wrote, for example, that "the report's message belies the huge size of Africa's development task. The amount of growth that African states can generate by sound macro-economic policies alone is too paltry to relieve significantly the wretched poverty of the continent."

Some questions have also been raised about the Bank's interpretation of the very useful data that it has compiled (see p. 47). However, the main critique of the report revolves around its failure to systematically address the charge made by grassroots groups, NGOs and trade unions, among others, that the Bank's version of adjustment is deepening poverty in Africa. Some UN organizations have also expressed this concern, with the General Assembly asking as recently as last December that special attention be paid "to eradicating poverty and addressing the social impact" of adjustment. And UN Secretary-General Boutros Boutros-Ghali stated recently that "structural adjustment is not popular on the streets of Africa. The fruits of these efforts

turn to page 47

INVESTMENT: As investment fell in 13 of the 28 adjusting countries, the report lends some credence to the argument that adjustment policies hit domestic investment rates, at least in the short-term, though it suggests domestic savings rates have not been affected. In this part of its analysis, the Bank insists that oil-exporting countries be excluded because of their high — and sometimes unsustainable — levels of investment entering adjustment. Even with Nigeria excluded, the five remaining countries which improved their policies the most show a lower rate of growth in domestic investment than countries with small improvements. Those countries where policies deteriorated showed a marked fall-off in investment rates. Public investment recorded either negative growth or was stagnant in all groups.

External environment and GDP per capita growth


1.5
Median change in average annual growth, 1981-86 to 1987-91; percentage points
-0.6
Countries with increases in external income
Countries with decline in external income

Source: World Bank

EXTERNAL FACTORS: The report finds a slight increase in foreign direct investment has occurred during adjustment. But the major external support for efforts at reform comes from aid. This can be a mixed blessing, the report warns, possibly postponing "hard" budget choices and fostering a climate of dependence. But it also rejects the claim that any success reform has had is primarily attributable to large injections of external finance.

As far as aid has helped to "smooth" downturns in domestic consumption it has been a necessary feature of successful adjustment programmes, the report says. But the study asserts that external factors — essentially net financial inflows and terms of trade — do not explain the variance in growth among adjusting countries as much as does the extent of successful policy implementation. But, as with a similar recent analysis by the International Monetary Fund (IMF; see page 20), it admits that "the econometric analysis does not provide conclusive evidence on the impact of external factors on growth."

Four of the Bank's six star performers, suffered declines in external transfers between 1981-86 and 1987-91, but still managed to record improved performance. Countries, such as Mozambique, which was the beneficiary of by far the largest increase in external transfers, experienced the fastest per capita growth over the period, despite a deterioration in policies. But Togo was the only country which was able to register an improvement in growth while its policies deteriorated and external transfers fell.

(One country, Burundi, suffered lower growth despite improved policies and rising external transfers).

But, by diverting resources, Africa's debt burden does severely impede successful adjustment and requires urgent attention, the report says (see page 12). Finally, unlike the IMF study, the report argues that "terms of trade changes do not appear to have been an important factor explaining changes in growth during the adjustment period."

HELPING THE POOR: Adjustment in Africa has helped the poor, the Bank claims, but in the absence of detailed evidence, the language with which it is compelled to construct its argument will probably do little to inspire confidence among many critics. "The poor are probably better off and almost certainly no worse off," as a result of economic reforms, the report says in its introduction. "There is every reason to think that [adjustment] has helped the poor...Often the poor would have benefited from more adjustment," it claims.

"It is a sorry state of affairs when we know least about poverty in the region where poverty is most a problem," the report observes. Bank officials say comprehensive household surveys, currently underway in the Social Dimensions of Adjustment programme, will throw much more light on the changes in living standards in Africa, though comprehensive results are not expected for some time.

Countering mounting evidence from many non-governmental organizations and others that living conditions are deteriorating wherever adjustment has been put into practice, the report argues that social costs have largely been limited to the relatively well-off urban areas, with the "silent majority" of Africa's poor, small farming households, benefiting from reforms. However, it also makes some important qualifications. Firstly, in Madagascar and some other cases, the urban poor have been hurt by reforms such as reductions in subsidies. Secondly, in an explicit reference to the critique of UNICEF among others, it concedes that many of the early adjustment programmes "did not pay enough attention" to ensuring adequate provision of services to the poor. Thirdly, it implicitly acknowledges that the primary focus of adjustment is not poverty reduction and that the direct assault on poverty must come from wider development and investment programmes. While conceding that early advocates of adjustment had anticipated too-quick returns from reforms, the report adds that "opponents have wrongly cast and criticized adjustment as an alternative to measures supporting long-term development." But, the crucial linkages between these two aspects in the Bank's twin overarching goals of faster growth and poverty eradication remain to be explored.

The report does attempt to draw some lessons for government policy from its analysis. Adjustment programmes, the report claims, have not generally led to cuts in the share of social services in public spending, though it also acknowledges that "it is still likely that there were spending cuts in social services that had previously benefited the poor to some degree." But it argues that governments still spend their money on the wrong things — big hospitals and higher education, not primary health clinics and primary schools. "The continuing misallocations of Africa's social spending clearly work against the poor," the Bank says, and readjusting spending priorities — both of governments and donors — is vital, particularly as wider primary schooling appears to be an essential condition for sustaining faster economic growth.

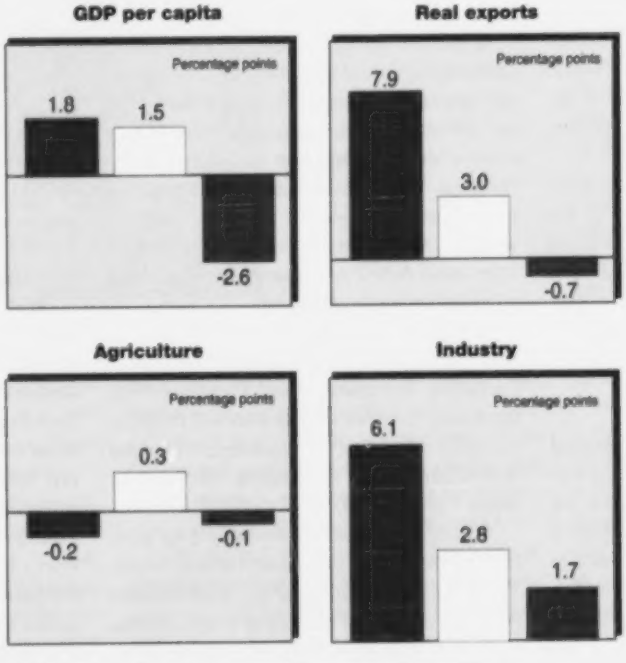
Social safety nets, such as food or income subsidies, can help ease the pain of adjustment, the Bank argues, but they are an inefficient and potentially costly method. Instead, focusing public expenditure programmes on the supply of basic services is probably the best way of directly improving living conditions for the poor.

While discussing all aspects of the adjustment process, the Bank's definition of success — turnaround in per capita growth — is linked to an earlier emphasis on macroeconomic fiscal and monetary policies. While the report appears to confirm the relationship between appropriate policies and economic growth, fundamental questions remain on the impact of these policies on poverty-reduction and the vital question of how needed reforms should be implemented.

The report is dotted with observations on the limits poor governmental capacity imposes on the choice of policy options. Enhancing this through "capacity-building" is one of the priorities for external support, the Bank suggests. But this tackles only one part of the governance issue. With reforms delivering only low levels of growth — and not even that, critics argue — the political sustainability of adjustment, along with the impact on poverty, remain the most important unanswered questions for donors and African governments alike. ■

Macroeconomic policy changes and growth performance

Median change in average annual growth rate between 1981-86 and 1987-91



Source: World Bank

Ambiguous IMF review of ESAF experience

by Tim Wall

Questions about the value of structural adjustment programmes (SAPs) have not been resolved by a September 1993 International Monetary Fund (IMF) study* of 19 countries (15 of them African) using the Fund's enhanced structural adjustment facility (ESAF). IMF Managing Director Michel Camdessus has cited the study as forthright proof that progress toward recovery in these countries is directly attributable to ESAF policies, and the study does indeed report that "on average" the 19 countries saw improvements in most economic indicators. But it also states clearly that debt relief and favourable terms of trade have been at least as influential as adjustment policies in achieving positive economic performance.

Performance was strongest in those countries with "sustained and comprehensive" SAPs, Mr. Camdessus declared at the Tokyo International Conference on African Development in October. The study finds the biggest macro-economic improvements in countries that undertook "the most forceful reforms and suffered the least from weakening terms of trade." But strength of implementation "was seldom quantifiable or comparable across countries," and "clear-cut conclusions on the reasons for differences in countries' performance have proved difficult to draw."

The ESAF is a 1987 follow-up to the structural adjustment facility (SAF) set up by the IMF in 1986 to provide highly concessional loans to debt-distressed, low-income countries. By mid-1993, 36 countries had SAF agreements and 29 countries had moved on to the more stringent conditionality of the ESAF.

Terms of trade key to viability

The IMF study uses progress towards external viability (reduced debt-to-export ratios and debt-service burdens) as its major criterion for measuring the impact of the ESAF. However, it attributes progress in 11 countries not only to the beneficial impact of the ESAF, but also to "increased concessions on debt (cancellation and easier terms)" as well as "strong export growth." In other countries, "debt and debt service remain so high that even the strongest domestic policy efforts would be insufficient to restore external viability in the foreseeable future." For reform to succeed these countries, the study says, will need "substantial" concessional financing and debt cancellation.

In 11 countries with improved viability, average annual growth in the last three years was 2 per cent higher than in the three pre-SAF /ESAF years. Over comparable periods, annual growth fell slightly in the eight economies with little or no progress towards external viability.

While improved external viability is not demonstrably a direct consequence of SAPs, there is an evident link with terms of trade, a vital factor for Africa's commodity-dependent economies. The study shows that increasingly viable Malawi and Senegal, for instance, saw strong improvements in terms of trade during their SAF/ESAF experiences, while progressively non-viable Uganda and Madagascar suffered a devastating fall in their terms of trade.

For countries suffering deteriorating terms of trade, the IMF recommends "highly concessional" financing and debt relief, "particularly when there is no strong reason to believe that deterioration will be reversed soon." It also says "the strength of adjustment" should quickly be re-evaluated, suggesting a need for more flexible conditionality.

Some findings in the IMF study are mildly encouraging. ESAF countries have "on average" seen overall progress in such indicators as real growth of gross domestic product (GDP), trade volumes, inflation and debt ratios. However, it finds "relatively small response of investment ratios and the persistence of low savings ratios," strengthening the critique that SAPs stress deficit reduction at the expense of increasing productive capacity.

Significantly, capital expenditure tended to fall during adjustment, the study shows. Excluding Mozambique and Uganda —both recovering from devastating wars and bound to invest in rebuilding infrastructure — capital expenditure in the 19 countries declined by nearly 1 per cent of GDP.

Turning to agriculture, the study finds positive developments in Ghana, Guinea, Niger, Tanzania, Togo and Uganda, where higher producer prices and marketing board reforms made for improved conditions and incentives for agricultural production. This led to improved living standards for the rural poor, the report says. At the same time, "weak information bases made it difficult to evaluate the social impact of adjustment."

Ambiguous data also hampers the evaluation of SAP fiscal policies. The study says that on average, "most countries" managed modest cuts in budget deficits of some 2 per cent relative to GDP, but that two-thirds of them were already making progress in deficit reduction before entering SAF/ESAF agreements. It recommends continued efforts to rein in fiscal deficits, credit expansion and inflation. It also calls for more technical assistance from multilateral institutions to bolster the administrative capacity of African governments.

ESAF and external viability

	Real GDP Growth		Terms of Trade (Average annual % change)	
	3 years before SAF/ESAF	3 years of SAF/ESAF	3 years before SAF/ESAF	3 years of SAF/ESAF
Countries making relatively more progress				
Gambia	**-1.0**	**3.8**	**9.3**	**-0.7**
Ghana	6.3	4.5	12.3	-9.7
Lesotho	**1.4**	**2.5**	**na**	**na**
Malawi	2.0	5.6	-7.1	3.5
Mozambique	**-3.4**	**3.1**	**na**	**-0.8**
Senegal	0.8	2.4	6.2	3.9
Togo	**2.7**	**1.5**	**-3.5**	**-1.0**
Mean*	1.3	3.2	-1.9	-0.8
Countries making less progress				
Burundi	**4.6**	**3.5**	**13.0**	**-11.1**
Guinea	na	3.1	-12.1	-2.6
Kenya	**3.5**	**4.0**	**-6.2**	**-5.2**
Madagascar	1.6	0	2.3	-9.6
Mauritania	**1.1**	**1.8**	**9.1**	**0.5**
Niger	6.2	0.1	-2.2	-8.9
Tanzania	**3.0**	**3.9**	**-2.1**	**-5.6**
Uganda	0.8	4.7	na	-17.4
Mean**	**3.0**	**3.5**	**0.3**	**-7.5**

Source: IMF, *Economic Adjustment in Low-Income Countries*, 1993

Average during three years preceding first SAF- or ESAF-supported programme.
Average during three-year period ending in 1991 or 1991-92.
* Mean for the 11 countries in this category.
** Mean for seven of the eight countries in this category. Guinea excluded due to unavailability of pre-SAF/ESAF data.

While ESAF has now been replenished (see page 48), the debate over SAPs will persist. Prominent issues include the acknowledged need for deeper debt relief, more concessional financing, better market access and improved terms of trade. Mr. Camdessus said in Tokyo that debt-reductions of two-thirds are a "wise investment" that creditors should promptly make to stimulate recovery in debt-distressed, low-income countries implementing SAPs. Otherwise, the IMF study suggests, economic reform in Africa will remain a long, hard road with no end in sight. ■

**Economic Adjustment in Low-Income Countries — Experience Under the Enhanced Structural Adjustment Facility*, International Monetary Fund,Washington, September 1993.

Europe toughens terms for ACP countries

By Shada Islam, in Brussels

African, Caribbean and Pacific (ACP) countries could soon be forced to prove their democratic and free-market credentials before getting further aid from the European Union (EU). This forms part of the tougher and more extensive conditionality proposed for the Lomé Convention made by Mr. Manuel Marin, the EU Commissioner for Development Cooperation and Humanitarian Aid.

ACP representatives have signalled their objection to the Marin proposals, arguing against any moves to increase EU influence on domestic economic policy, or to have EU bureaucrats "standing in judgement" over them. They also stress the need for "joint verification and joint decisions" in such key areas as human rights. And with only the aid chapter of the 1990-2000 Lomé IV agreement originally scheduled for mid-term review next year, ACP countries intend to press for higher aid flows from the EU in view of their growing needs.

But EU officials suggest an aid freeze: "First we have to show that we are capable of spending what we have," says Mr. Marin, pointing out that the use of Lomé IV funds has been "too slow." Although Lomé disbursements of $2.2 bn in 1992 were double the 1991 figure, slow disbursement of Lomé III aid has left over $46 mn unspent.

The Convention is a trade and aid accord between 12 EU and 70 ACP countries which has been touted as a model of North-South cooperation. Unlike the previous five-year accords from 1975 onwards, the current Lomé IV agreement, signed in December 1989, is the first to cover a decade.

Unfavourable reactions to Mr. Marin's proposals have also come from some members of the European Parliament which is currently discussing the proposals, prior to negotiations with the ACP. They object to drastic changes that would hand more power to the EU. European non-governmental organizations (NGOs) have in turn warned against increased EU paternalism, and Ian Bray of Oxfam-UK criticizes the strengthened conditionality of adopting adjustment policies that have "devastated" many ACP countries.

Mr. Marin, however, argues that the Convention "can only survive" by adjusting to post-Cold War realities. Falling in line with prevailing trends in aid conditionality, Mr. Marin's "fundamental amendments" include giving aid as a "definite seal of approval" to adjustment policies, good governance and democratization, and suspending it for governments accused of human rights violations.

The EU has already helped finance and organize elections in ACP countries. But it now plans to take "positive actions" to promote democracy, and ACP countries may only get finance from a suggested "Democracy Fund" by proving their commitment to political reform. The EU may also channel money directly to help set up legal institutions and trade unions, and reform government structures.

A tougher EU stance on aid would try to ensure its efficient use in a framework of approved economic policies. Not only would there be a more intensive "dialogue" with ACP governments on their economic priorities, with EU development experts getting a larger say in how ACP countries manage their economies, but Lomé aid disbursement mechanisms would also be overhauled.

UN/Milton Grant

Voting in Angola: Faster progress on democratization is one of the demands Europe plans to make on ACP countries as a condition for aid.

Case-by-case, project-by-project

To ensure ACP fidelity to economic commitments, says Mr. Marin, the current practice of allocating funds to each ACP country at the start of the Lomé cycle should be replaced by a more rigorous system of step-by-step aid disbursement. This instalment plan "will encourage countries to speed up the implementation of projects and programmes," stresses an EU development official, adding that an ACP country's "ability to put its first instalment to good use will determine the size of subsequent allocations and the speed with which they are released."

The EU would also make special allocations for human resource development and environmental protection, and funds would only be released on approval of specific country projects. European NGOs argue this new stress on phased and incentive funding will put ACP states in competition with one another to the disadvantage of the poorest ones.

In contrast to a past focus on state-sponsored development, an EU official says "we will now tell ACP countries to encourage the growth of their private sector and make sure that local entrepreneurs can get access to EU funds." There would be closer contacts with local chambers of commerce and direct funding for private sector schemes.

A broader question on the EU/ACP agenda is the relationship with post-apartheid South Africa. Mr. Nelson Mandela, president of the African National Congress, told EU President Jacques Delors and Mr. Marin last September that a democratic South Africa should join as an economy in transition. EU opinion seems divided due to South Africa's internal disparities and higher level of overall development relative to most ACP countries. Certainly, this matter will be negotiated only after a democratic and non-racial government is installed in South Africa. ■

Desertification talks heat up over funding

By Abubakar Dungus

Negotiations for an international convention to combat desertification progressed at the 17-28 January session in New York although discussion of the thorny question of funding was postponed to the next session in late March, said the committee executive secretary Hama Arba Diallo.

The 21 June deadline for signing a legally binding convention would be met, Mr. Diallo told *Africa Recovery*, but the question of how to proceed on financing "is still open." He said the Intergovernmental Negotiating Committee drawing up the Convention against Desertification (INCD) must first specify "what is going to be financed." Donors are "very much aware that the situation for Africa in particular is perilous," and "the ways and means of action must be defined."

The INCD agreed in January to draw up a specific instrument for Africa's priority needs to meet the June deadline with the main convention. This was made possible by a decision to create similar instruments after June for Asian and Latin American countries which had been reluctant to accord priority treatment to Africa, said INCD vice-chairman and Benin's Permanent Representative René Mongbé.

Critical importance of funding

Mr. Diallo hopes that the desertification convention will mobilize $2-3 bn a year, but the UN Environmental Programme (UNEP) estimates that an effective, 20-year, anti-desertification programme needs $10-22 bn annually, while less than $1 bn is currently spent.

Donor countries at the January session objected to setting up a new anti-desertification fund, arguing that better use should be made of existing programmes. They also opposed the African group and developing countries' Group of 77 (G-77) proposal for a "Science and Technology Centre" and "Evaluation and Monitoring Centre" to develop technological solutions and establish the relation between desertification, and climate change and loss of biodiversity.

Mr. Diallo agrees that new institutions may not be needed, but insists on the critical importance of new funding. This position was amplified in mid-March by Algerian Ambassador Ramtane Lamamra, current chair of the G-77, who urged developed countries to contribute "new and additional financial resources" to a special fund for anti-desertification efforts.

The draft text of the convention "contains elements that are essential to Africa," said Mr. Mongbé. Since economic pressures are a major cause of depletion of water and vegetation resources, there should be action to promote enabling and sustainable economic environments in affected nations. Such action could include debt relief and improved market access for exports. Affected signatories would have to give priority to combatting desertification, while donors would allow access to finance and technology to support national, sub-regional and regional actions to counter the effects of desertification, he points out.

WFP/Sarah-Jane Poole

One result of desertification is an increasingly desperate shortage of water.

With decisions on INCD funding deferred until end-March, the question of naming the Global Environment Facility (GEF) as a source of finance for the convention was also left in the air. But Mr. Biaou feels a clear view will emerge by the time of the June session in Paris.

The GEF was designated by the UN's 1992 Earth Summit as the main funding channel for global environmental programmes. It is jointly administered by the World Bank, UN Development Programme and UNEP, and two of its four areas of activity — climate change and biodiversity — could cover desertification.

Agreement reached on GEF

In any case, developed and developing countries have only just concluded 15 months of difficult negotiations on the GEF. At a mid-March meeting in Geneva, delegates from 87 countries finally agreed on the financing and restructuring of a GEF that will start formal operations on 1 July after its three-year pilot phase. The negotiations followed the 1992 Earth Summit's mandate of replenishing the GEF and making it more democratic.

The agreement by 26 countries (eight developing) to provide $2 bn in funding for the GEF was a "major accomplishment" in "today's budgetary environment," said GEF chairman Mohammed El-Ashry of Egypt, who is also Chief Environmental Adviser to the World Bank President and director of its environment department. Another success was the acord on structures and decision-making. This came only after a stormy meeting in Cartagena last December ended in deadlock with the G-77 pushing for greater influence, and donors threatening to withdraw their funding.

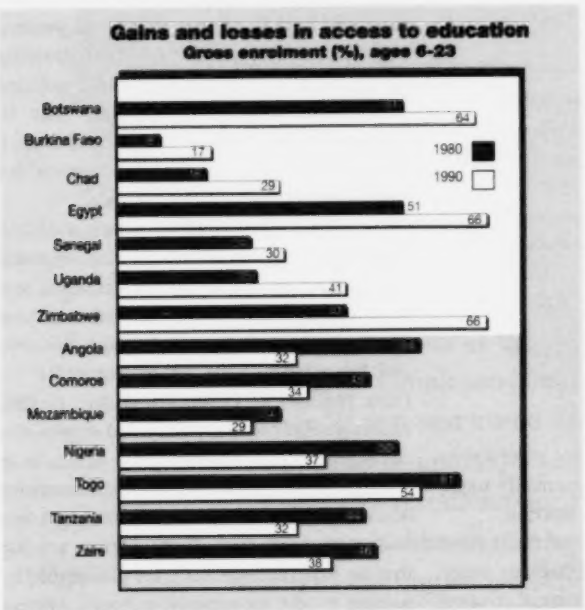
Delegates in Geneva agreed that GEF governing council meetings would be run by both a chairperson elected by the 32 members and by the chief executive officer of the GEF's newly established secretariat in the World Bank. This structure is underpinned by the "double-majority" voting system. When consensus proves impossible, council decisions will need a 60 per cent majority from two types of ballot. The first uses the World Bank practice of votes weighted by financial contributions and assures the US, Japan, Germany and France (with contributions totalling $1.2 bn) a permanent majority of over 60 per cent. The second — one country-one vote, as used in the UN — gives the 16 developing countries 50 per cent of the vote, the 14 donors 43.75 per cent, the rest being held by the two seats for Eastern European and former Soviet Union countries.

The impact of this compromise on GEF operations is yet to be seen. The GEF secretariat says the voting system "will protect the interests of both donor and recipient countries." ■

Continuing crisis in African education

By Patricia Noonan

Conditions are "catastrophic" for school-age children in many sub-Saharan African countries, with economic and other pressures driving the continent further away from its education goals, says the 1993 *World Education Report* published by the United Nations Educational, Scientific and Cultural Organizaton (UNESCO). It cites public spending cuts under structural adjustment, reduced foreign aid, falling personal incomes and high population growth as factors that combine to worsen the overall quality and quantity of education, leaving the sub-region lagging behind while literacy rates rise in other developing regions.



Source: UNESCO, *World Education Report 1993*

But enrolment levels have risen in several countries and not every statistic on Africa is bleak: in some countries children can expect nearly as many years of schooling as children in industrialized countries. A child in Botswana or Tunisia will get 10 or 10.3 years of schooling, which is comparable to with Ireland's 12.6 or Japan's 13.3 years.

Still, drop-out rates are more significant than enrolment levels. UNESCO points out that in the poorest countries, the average number of years a child spends in school is well below the four years it considers the minimum needed to attain literacy and basic life skills. In Niger, for example, a 5 year-old boy may spend just 2.1 years in school; in Burkina Faso 2.4; in Guinea 2.7, and in Djibouti 3.4 years. The situation is even worse for girls, and conditions are similar in a dozen other countries.

A UNESCO survey shows that adult illiteracy fell in only nine out of 39 sub-Saharan countries in the 1980s, and in most, too few pupils complete their formal education to slow the growth of the illiterate population. Informal education programmes are insufficiently widespread to compensate. In some countries, women represent fully 65 per cent of adult illiterates; consequently, programmes promoting "family literacy" are gaining ground. UNESCO stresses that the higher the education level of women, the lower their fertility rates and the better their children's health and education.

Impact of SAPs

Economic crisis in the 1980s has left most sub-Saharan countries needing to devote more of their recurrent spending each year just to keep the same percentage of children in school. UNESCO argues that economic decline was compounded by structural adjustment programmes (SAPs) which cut education budgets at the same time as bilateral aid to education was falling. This led to a fall in recurrent spending per pupil in sub-Saharan Africa from $83 in 1980 to $76 in 1990, aggravating existing shortages of textbooks and worsening teacher-pupil ratios that already were as high as 1:40 to 1:60.

Senegal's SAPs, for example, caused education spending to fall from 33 per cent of the national budget to 26-27 per cent, said the country's Inspector of Legal Services Mamadou Fofana. He told a UN Committee on Economic, Social and Cultural Rights in Geneva last December that drop-out rates stood at 45 per cent, building of new schools had not been possible, and there was a freeze on hiring teachers.

Turning to higher education, UNESCO stresses that a country cannot generate the skills it needs for independent management of its own development without a viable system of higher education. And this is precisely where the chasm is largest between sub-Saharan Africa and the rest of the world. While Canada has an enrolment ratio of 5,102 students in higher education per 100,000 inhabitants, Tanzania, for example, has 21, and Mozambique 16. Even the number of African students studying abroad is in relative decline.

Declining priority for education

Unsurprisingly, sub-Saharan Africa has few scientists and engineers engaged in research and development (R&D) although such activity is crucial for adapting and developing technologies vital to socio-economic progress. Its R&D spending has also shrunk further from previously minimal levels, the report observes.

Despite the emphasis in recent years on the crucial need to invest in human resources, UNESCO argues that education has slipped as a priority for multilateral financial institutions, and the World Bank, for example, continues to press for spending cuts. This is particularly disturbing as, over the last 30 years, multilateral institutions have taken over from bilateral donors as the major external sources of education funding.

Concerned to secure public spending cuts, World Bank proposals for "cost-sharing" include instituting or raising tuition fees, requiring upkeep of facilities or clerical work of students, cutting teachers' salaries and lowering the qualifications required for teachers. UNESCO notes that many such recommendations tend to contradict major international conventions on education because they would contribute to a further decline in the quality and coverage of education.

The report observes that over the past three decades, North-South cooperation in education has become largely a question of loans and grants while the implications of the need to develop "human capital" have been overlooked. But at the practical level for African countries, whole populations are now deeply in debt, simply for wanting to learn. ■

Looking towards a new Southern Africa

By Robert Davies

Southern Africa and regional organizations are unlikely to be prominent issues in South Africa's first non-racial elections in April. But with the economies of the region inextricably linked, and cooperation an imperative rather than an "optional extra," the stance of a democratic South Africa will profoundly affect the future of the region and its organizations.

Major parties in South Africa seem to agree that Southern Africa should command a high priority in a new government's foreign policy, and have advocated a strengthening of economic, political and security cooperation in the post-apartheid environment. They acknowledge that socio-economic problems could pose the main threat to regional security, and that addressing these problems is essential for a climate conducive to disarmament and development.

Impact Visuals/Barbara Lesie

Greater labour mobility would be made possible by increased economic cooperation in the Southern African region.

The entire region remains deeply scarred by the impact of apartheid destabilization. According to UN figures, over a million lives were lost and some $60.5 bn of damage inflicted on neighbouring economies during the 1980s. South Africa's gross domestic product (GDP) is also much greater than the combined total of all 10 members of the Southern African Development Community (SADC). Its economic relations with these neighbours is marked by acute imbalances and inequities, and there are significant differences over whether future policy should explicitly seek to reduce inequities, promote integration or limit itself to functional cooperation. There is also debate over the respective roles of SADC, the Preferential Trade Area for Eastern and Southern Africa (PTA) and the Southern African Customs Union (SACU).

The African National Congress (ANC) said in 1993 that a democratic South Africa should seek membership of SADC and "explore the possibility of affiliating to the PTA." ANC statements have uniformly stressed the need for closer regional economic relations built on mutual benefit and equity — not polarization — and the need to avert the potentially tragic socio-political consequences of inaction.

A few years ago, members of the present South African government and business sector also appeared to agree on the eventual creation of a Southern African common market or economic community as generally envisaged by SADC, the PTA, the Organization of African Unity, and the World Bank. But signs of South African state and corporate officials retreating from this apparent consensus have become evident more recently.

South African Reserve Bank Governor Chris Stals, for example, has spoken out against "vast new common markets for Africa" on the grounds of "too great a divergence between the stages of development of the various countries, making it impossible to integrate the economies and placing a huge burden on the more advanced nations." Other influential voices urge extreme caution. A South African Chamber of Business (SACOB) discussion document of 1992 suggests that "quite some time may elapse before a post-apartheid government embarks on negotiations and decides upon membership" in other regional organizations. It adds that "South Africa should insist on rationalization of SADC and the PTA as a condition for serious negotiations about membership," arguing that SADC transport projects failed to meet their goals; SADC countries did not reduce their dependence on South Africa; and that intra-PTA trade has declined over the years.

Illustrating the lukewarm, even hostile views on regional imbalances and inequities, and regional organizations, the SACOB document said "South Africa will not (and presumably should not) compensate neighbouring countries for real or alleged damage inflicted by past South African policies." Mr. E. Osborne, a prominent SACOB economist, bluntly proposed in a circular that South Africa "should advocate the demise of SADC."

However, SACU, once the principal official instrument of apartheid South Africa's regional cooperation, is already an organization at a crossroads, if not a crisis. The other official SACU members, Botswana, Lesotho, Namibia and Swaziland — the "BLNS countries" — have repeatedly complained that tariffs, exchange rates, fiscal policy and regulations are adjusted unilaterally by South Africa, in its own interests. Some in the BLNS countries advocate leaving SACU and negotiating a free trade agreement with South Africa, arguing that any benefits from SACU are outweighed by having to rely on expensive South African imports under SACU arrangements.

And South Africa's previously lofty ambitions to make a broadened SACU the driving force in the region have been lately replaced by a concern to reduce the share of revenue officially allocated to the BLNS countries, and unofficially to the Transkei, Venda, Bophutatswana and Ciskei "homelands." BLNS countries received R 3,055 bn from South Africa in 1992/93 (over 3 per cent of total budget spending), and such payments are seen as increasingly "unaffordable."

In such circumstances, widening even a

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Dear Reader,

Readership Survey
What do you think of Africa Recovery?

During the seven years of *Africa Recovery's* existence, we have constantly paid attention to suggestions from our readers on how to improve our coverage of developments within Africa as well as international trends which affect the region.

On the whole, the feedback has been very encouraging, and we have been gratified by the reception our diverse readership has given the magazine. We are particularly pleased to have twice won, in 1988 and 1991, the World Hunger Media Award, in the company of the *Washington Post*, CNN and *Newsweek* among others.

With the publication now in its eighth year, we would like to take a more systematic approach to learning what you, the readers, think of our work. The attached readership survey seeks to find out which aspects of the publication you find most useful, which sections you think you could do without and what additional information, if any, you would like us to provide.

We would be grateful if you could take a few minutes to complete the enclosed questionnaire and return it to the address on page IV. If you would like to receive a complimentary map of Africa as a token of our appreciation for this effort, please provide us with your current mailing address.

Thank you very much for taking the time to complete this questionnaire.

The Editor
Africa Recovery

AFRICA RECOVERY READERSHIP SURVEY

(Please read each question carefully and mark the appropriate box or fill out the blank space. Please print or type.)

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2. What position do you hold?

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- ☐ Newspapers, such as:

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- ☐ Specialized magazines, such as:

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- ☐ Press agencies, such as:

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Economic and social development	☐	☐	☐	☐
Adjustment policies	☐	☐	☐	☐
Humanitarian emergencies	☐	☐	☐	☐
Peace-keeping	☐	☐	☐	☐
Political developments	☐	☐	☐	☐
Country surveys	☐	☐	☐	☐
UN news/conferences	☐	☐	☐	☐
Africa Agenda	☐	☐	☐	☐
Africa Books	☐	☐	☐	☐
Africa in Brief	☐	☐	☐	☐
Baobab	☐	☐	☐	☐
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10. What topics would you like to see more of in **Africa Recovery**?

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Overall presentation	☐	☐	☐	☐
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Photographs	☐	☐	☐	☐
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ADB proposes market-sharing for Southern Africa

Region-wide economic development in Southern Africa could "provide the stimulus and inspiration to advance the cause of integration in all parts of the continent," declared Mr. Babacar Ndiaye, president of the African Development Bank (ADB), in Cairo in early December. He was launching a three-volume ADB study on *Economic Integration in Southern Africa* during a meeting with the Organization of African Unity Secretary-General Salim A. Salim and Economic Commission for Africa Executive Secretary Layashi Yaker. Also present was Ms. Ellen Johnson Sirleaf, UN Development Programme Assistant Administrator and Regional Director for Africa.

Financed with help from Denmark, Finland, Norway and Sweden, the report recommends a flexible, incremental process of regional integration, with a multi-speed approach that allows one group of countries to move faster than others on the integration agenda. The study proposes as a principle that all participants should benefit equitably. It therefore recommends detailed, country-specific, cost-benefit analyses of economic integration, with an initial focus on some countries in the region such as the 10 members of the South African Development Community and South Africa. Initial priority should go to selected sectors and packages of measures from which all of the countries would derive some benefit, the report says.

The ADB points out that unless governments are convinced that integration will help them deal with domestic problems better than they otherwise could, "they are more likely to focus on national preoccupation and to downplay the potential advantages of regional cooperation." It also emphasizes that political will and commitment are practical necessities which "ultimately, would determine the degree of success of the African economic integration process."

External donors could "provide a helpful impetus" to regional cooperation by supporting harmonized reforms which require multilateral agreement. The study says donors could support work on such key issues as internal convertibility, fiscal and banking reform, market access and trade liberalization.

Detailed coverage of the ADB report will appear in the next issue of *Africa Recovery*.

"looser" SACU to embrace new members appears problematic. One possibility would be to restructure SACU as currently constituted, but on a more equitable and sustainable basis within a broader regional framework. This would mean addressing existing concerns and criticisms, such as renegotiating the revenue sharing formula. A restructuring that deepens relations within the union could lead to free labour mobility, and, as South African economist Gavin Maasdorp suggested in 1990, SACU could be upgraded into a common market.

But while SACU needs reform, it also needs to operate within a broader regional framework which SADC and PTA (currently being reconstituted as COMESA, the Common Market for Eastern and Southern Africa) would have a crucial role in shaping.

Source: Africa Recovery from UNCTAD data

Both SADC and PTA have qualities, capacities and experience that will be essential in restructuring the regional economy in Southern Africa. Both have more than just trade relations with South Africa; their members include many of the most important potential partners in sectoral cooperation projects, the migrant labour supplier states, and so on. As organizations, they already have legitimacy in the region as well as credibility with major, external "interested parties." Most importantly, both, particularly SADC, stand for a genuine integration, based on equity, mutual benefit and interdependence.

Greater cooperation with SADC and PTA also could yield significant direct material benefits to a democratic South Africa, including greater access, perhaps on more favourable terms, to other markets on the continent, as well as access to water resources, hydropower or other assets in neighbouring states. Cooperation in agriculture and food security could also promote a more rational, regional division of labour in food production. A larger prize could be South African leadership of the region into major markets such as those of the European Union.

A study commissioned by SADC has proposed a multilateral forum in which negotiations take place in specific sectors with a strong coordinating mechanism to facilitate inter-sectoral trade-offs and develop a macro-economic regional programme. Both the SADC treaty and the PTA programme envisage negotiating protocols or agreements to promote closer relations in various areas and sectors. Neighbouring countries could reasonably be expected to seek greater access to the South African market, guarantees about the position of migrant workers, policies to promote more rational use of regional transport infrastructure, more balanced location of industries and more balanced distribution of investment. South Africa could also make some financial, technical and other contributions to regional programmes, and agree to more equitable arrangements in existing institutions.

A democratic South Africa is unlikely to fully benefit from closer economic relations unless it accommodates at least some of its neighbours' demands. Unless growth and development throughout the region soon replaces economic stagnation, South Africa's own prospects will be constrained by limited trade opportunities and destabilizing shocks from crises in neighbouring economies.

The installation of a democratic, non-racial government would help remove the final barriers to full acceptance in Africa and also facilitate a significant increase in South Africa's extremely modest share of continental markets. Even fairly small, eminently feasible increases in market share could significantly boost the total value of this trade.

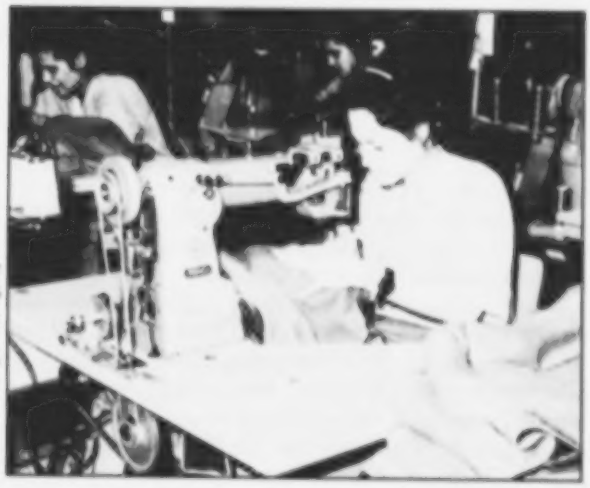
The real issue is to identify that combination of cooperation, coordination and integration which can best contribute to growth and development. By joining organizations formed by neighbouring states, a democratic South Africa would send out a strong and positive signal. While recognizing the problems of regional organizations pursuing increasingly convergent goals, the rational stance is to confront these issues as a partner from the inside, rather than as an external force imposing conditionalities from without. ■

Tunisia moves beyond adjustment

No country in Africa has a better credit rating. Few have so successfully attracted investment. Tunisia has tackled the twin problems of debt and social unrest with a strategy of cautious good-housekeeping to become the IMF's star performer in Africa. Now there is more to do if Tunis is to achieve its ambition of becoming the "Singapore of the Mediterranean." This means looking beyond conventional structural adjustment to become a platform for investment that links Africa with Europe and the Arab world.

By Jon Marks

Tunisia is far from being immune to external crises as it promotes itself as a crossroads for African, Arab and European business. The 1990-91 Gulf conflict affected Tunisia badly: European tourists and Arab investors stayed away; export markets became less secure; reserves came under pressure. Yet it says much for Tunisia's record of economic reform since the payments crisis of the mid-1980s that its economy remains one the most buoyant in Africa.



Tunis Afrique Press Agency

Textiles have been one of the fastest-growing export sectors. But Tunisia is now looking to more "high-tech" industries.

In the past 18 months, Tunisia has shrugged off its dependence on International Monetary Fund (IMF) loans, returned to the international capital markets and, showing confidence in the continued strong growth of its economy, made its currency fully convertible, four years ahead of schedule. With its financial credibility restored, Tunisia is now seeking the foreign investment needed to diversify the economy and create jobs for its youthful population.

Jon Marks is a London-based journalist specializing in North African affairs.

Employment generation is a task which cannot be ignored, especially when, like the rest of North Africa, Tunisia has felt the impact of Islamic fundamentalism. With some 60,000 new jobs needed a year to meet a growing labour force and to make inroads into an unemployment rate of around 15 per cent, the challenge is a forbidding one.

Donors are working on a variety of strategies to increase lending to the country. At a meeting in May 1993, Tunisia won pledges from the IMF, World Bank and other leading donors of $4 bn towards the estimated $8 bn 1992-96 five-year plan.

The benefits to be gained from Tunisia's rising image with potential investors have been confirmed by the decision of US banking house, Citibank and the US' Overseas Private Investment Corporation to base a $100 mn African trade finance fund in Tunis. The choice reflects Tunisia's open trading environment and connections with other African markets, especially as a re-export centre linking Africa and Europe. A new investment code, backed by financial sector reforms — due to be completed in 1994 — and a privatization programme, should make Tunisia attractive to Arab off-shore funds and other investors, argues a recent report from Lehman Brothers, the US investment house.

A blend of caution and determination in its reform programme has enabled the government to overcome both the balance of payments crisis in 1986 and a growing debt burden (see box, page 28). Sharp devaluations of the Tunisian dinar in 1985 and 1986, coupled with cutbacks in public sector investment and tighter credit policies, helped to restore financial viability. The success of reforms was helped by the fact that exports continued to grow and inflation was generally held in check. Fiscal reforms, including the introduction of a value-added tax in 1988, have boosted revenues, enabling the government to reduce the budget deficit to some 2 per cent of gross domestic product (GDP) in 1993 from nearly 6 per cent in 1989.

Increased revenues have helped to alleviate the austerity of reform measures. Public disturbances in 1984 over proposed price rises for basic foodstuffs had given warning of the dangers of radical measures. Nevertheless, real wages fell an estimated 15 per cent between 1983 and 1989, which along with rising unemployment, fuelled social discontent. However, the principle of annual wage increases was not eliminated altogether. Although consumer prices have been freed, subsidies have remained on many essential items. These have given some measure of protection to living standards and real wages have risen in each of the last five years except one.

President Zine-el Abidine Ben Ali: committed to economic liberalization

Above all, since 1987, Tunisia has enjoyed average growth of 5 per cent a year. This is despite two successive years of drought — 1988-89 — and a sharp drop in earnings from tourism in 1990-91. With a successful family planning programme reducing the population growth rate to under 2 per cent, Tunisia's overall per capita income has continued to register steady improvement.

These positive trends should continue, despite drought, which is expected to have held overall GDP growth in 1993 to about 2.6 per cent, International Cooperation and Investment Minister Mohamed Ghannouchi told *Africa Recovery*. The 1992-96 plan envisages annual economic growth of 6 per cent, a still realistic target, which indicates just how resilient the economy has become, Mr. Ghannouchi argues.

Healthy revenue picture

Success has been helped by the presence of oil — which at its height accounted for over 50 per cent of export earnings — although Tunisia is far from being an "oil-rich" state. Today, energy products account for under 15 per cent of exports and Tunisia will soon become a net oil-importer. The largest single category of exports — $1.75 bn — is now textiles and leather goods, with mechanical and electrical goods sales also growing, to $480 mn in 1991. Both reflect progress in attracting foreign — mainly European — investment.

Tourism remains a vital part of Tunisia's healthy revenue picture, with revenues equivalent to nearly 40 per cent of merchandise earnings at their peak in 1988. But many of Tunisia's 8 million people remain dependent on the land. The country's 55 million olive trees generate only 8 per cent of export receipts, but a third of the farms derive over half their income from olive oil and some 1 million people are estimated to be indirectly involved in the industry.

Tunisia can boast some of the best social indicators in Africa. The World Bank estimates that the percentage of the population living in absolute poverty has fallen from 30 per cent in the late 1960s to under 6 per cent in 1990. A long-established pattern of public expenditure on social services has given Tunisia one of the highest life expectancy and lowest infant mortality rates on the continent, with access to health services above 90 per cent. Although primary schooling is near universal for males, female enrolment of 45 per cent is exactly on the average for Africa.

The government is committed to maintaining the momentum of Tunisia's export-led growth in a rapidly changing world economy, but not at the cost of undermining the country's social fabric, particularly in a period of cautious political reform. On crucial issues such as trade liberalization, subsidies and privatization, the approach has been gradualist. "Tunisians pride themselves on their cautious approach to adjustment," one Washington-based aid official points out.

But President Zine-el Abidine Ben Ali remains committed to "vigorous economic liberalization," a senior government official told *Africa Recovery*. "At times when the reform process has been slowing, the President has intervened personally," he says. "He sees the need for growth and increased investment — after all, Tunisia has always been an open country. But he also sees the need to balance this with an adequate social safety net for those that may suffer from restructuring, good relations with the national trade union, UGTT, and safeguards for the future such as environmental protection," the official adds.

Tunisia at a glance: 1992

Population	8 million
Pop. growth rate	2%
GNP per capita	$1,500
Currency	TD 0.9=$1
GDP	TD 13.9bn ($15.7 bn)
of which: agriculture	15.5%
manufacturing	15%
Total external debt	$8.5 bn
Debt service ratio	20.4%
Life expectancy (male)	67 years
Crude death rate	7 per 1,000
Infant mortality rate	45 per 1,000
Adult literacy rate	65%
Primary school enrol.	115%
Fertility rate	3.6
Access to health services	90%
Access to safe water	92%

Source: Government of Tunisia, UNFPA, UNICEF, World Bank

Investment platform

President Ben Ali is convinced that only by encouraging external financing and overseas links can sufficient growth be achieved to meet the calls for more housing, education and other services demanded by a youthful population, the senior government official says.

Tunisian strategy is based on making the country a services centre, linking Africa with the Mediterranean basin — a role it has played since the Phoenicians plied their trade before the Roman empire colonized both flanks of the Mediterranean. Today, however, the model is the so-called 'Asian tigers'.

Tunisia is negotiating with the European Union (EU) for a free trade agreement which goes far beyond earlier EU Association agreements in forging closer economic, political and social ties. Mr. Ghannouchi hopes for an accord by 1996 that would create a "structural anchor for Tunisian-European investment" and allow lower tariffs on EU-produced goods.

Following years of negotiated trade accords and increasingly flexible trading practise with the EU, the Community market for industrial goods is already virtually open to Tunisian-based

exporters. This helps to explain why so many German, French, Italian and Belgian companies have moved into the local manufacturing sector. But there is a fear among some potential investors that future protectionist trends could lead to these markets closing. The EU free trade agreement would secure markets and render this unlikely — a major selling point to US, Asian and other groups of investors who are looking for a foothold in the EU single market.

Local businesses feel threatened by the increased competition implied in the free trade agreement, but this should not prove too severe given that the Tunisian economy is already relatively open. A transition period of between 10 and 12 years is expected, during which time Tunis will still seek support to help its industry adjust to becoming a fully-fledged member of a wider European trading bloc. A $100 mn loan from the World Bank to help smaller companies adjust to a more open trading regime is an example of the external support that Tunisia is securing in order to cushion its reform programme.

Tunisia has continued to attract investment in the energy sector. British Gas, for example, has a $620 mn Miskar gasfield project which is scheduled to come on-stream in the second half of 1995. Mr. Arthur Beall, vice-president and general manager of British Gas Exploration & Production, says the Houston-based company plans a total $1.2 bn investment over the next three years and that "Tunisia is one of the most user-friendly countries for international exploration and production companies."

Policies which have attracted oil companies to the country are being brought to bear across the economy. A new unified investment code and the establishment of a free trade zone, now underway at Bizerte, all mark clear steps forward in the process of making Tunis a regional manufacturing and services centre, according to Secretary of State for International Cooperation and

Ghannouchi: improving the business environment

Jon Marks

Mr. Mohamed Ghannouchi

Tunisia has opened up its economy despite a very difficult international economic environment and is now reaping the rewards. "If we have resisted [recession] this year it is perhaps because of this," concludes International Cooperation and Investment Minister Mohamed Ghannouchi.

The effects of drought may have reduced GDP growth to below 3 per cent in 1993 from 8.4 per cent the previous year. But the results so far have been sufficient to persuade Tunis that a further opening of its economy is the best way forward, says Mr. Ghannouchi, who spoke to *Africa Recovery* during visits to Washington and London. Coming from a man who built his career as a careful planner in the 1960s and then as a finance minister with a reputation for extreme caution as he steered Tunisia out of its debt problems in the period to 1992, this is a vote of confidence in pragmatic, market-led liberalization and adjustment policies. "We are developing our capacity for adaptation," Mr. Ghannouchi believes.

Despite the drought, those sectors where adjustment policies have had most effect are thriving, he says: "In 1993, non-energy exports are about 15 per cent up, tourism is 6-7 per cent better, and the current account deficit will be at least 1 per cent down on last year."

Domestic reforms will continue, with the development of the financial sector a priority. Privatization continues to move slowly, but remains on the agenda. "Some people say we have moved with prudence [on privatization]," Mr. Ghannouchi observes. Privatization has been advocated when it encourages productive investment, Mr. Ghannouchi explains, and where the cost to jobs does not outweigh other advantages. Sell-offs will occur when they are in the best interests of the economy and society, he adds.

Debt is no longer the major problem it once was when Tunisia tried to borrow its way out of trouble in the first half of the 1980s. The government has resisted any pressure to reschedule, instead succeeding in restructuring its debt to a stage where a ratio of 60 per cent commercial to 40 per cent concessional debt before 1986 has been reversed to a 30:70 ratio. The average maturity is now 17 years, from the eight or less normal on most commercial credits. As a result, the rapid expansion in debt servicing, which saw outflows double between 1980 and 1987, has slowed. With exports continuing to expand, Tunisia's payments burden has significantly eased from nearly 30 per cent of exports in 1986-87, to around 20 per cent today.

The effects of drought may mean a larger-than-expected financing gap needs filling in 1994 — and Tunis may go back to the Euromarket, Mr. Ghannouchi says. Bankers look forward to increased commercial finance activity, but Tunis remains prudent in its approach to borrowing. Even though Tunis is widely courted by international financiers and has the sort of credit rating that makes obtaining commercial finance very possible, "we don't borrow much from banks," he adds. "Maybe that's how you remain a good risk."

Tunisia, however, is actively seeking non-debt creating financial inflows, such as direct and portfolio investment. Building the EU link is critical to Tunis' strategy of investment-led growth, the Minister says. "We wanted closer relations even in 1974 when the first EU cooperation] protocol negotiations started." The new free trade agreement will encourage new investors and "opens new perspectives," Mr. Ghannouchi says. "What we want is to insure access to EU markets." The free trade accord, to be negotiated by 1996, should "attract investment from companies which can consider Tunisia as a country which forms part of the European space."

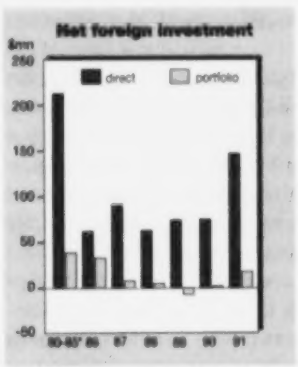
However, local industry also "needs reasonable protection" during the 10-12 year transitional period. Among the government's priorities are maintaining a basic standard of living for all Tunisians. "The SMIG [minimum industrial wage] at around $140 per month is low," Mr. Ghannouchi observes. "But it does not represent the social dumping you see elsewhere." Pay levels, he believes "are sufficient for companies to be competitive but not exploitative."

Investment Salah Brik Hannachi.

Mr. Hannachi points out that improvements to the investment regime were conditions attached to Tunisia's structural adjustment loans from the IMF and World Bank. But the policy has gone far beyond meeting the demands of these international institutions. New investment codes are seen by the government as an essential part of the evolving legislative and business environment. "We are at a stage where the World Bank will now use the Tunisian code as a model elsewhere," Mr. Hannachi says.

The new investment code met some resistance from UTICA, the powerful employers' federation, which argued it might favour new investors over its members, who had benefited under the previous system of sectoral codes. Senior officials say it was pushed through following the personal intervention of the President.

A large number of donors, bankers and international companies agree that progress so far has been impressive. A widely-quoted survey of 130 German export-oriented companies using Tunisia as a manufacturing base, carried out by the Tunisian-German Chamber of Commerce, reported that 71 per cent were operating at 60-100 per cent of the productivity levels of the parent company. Twenty-two per cent reported productivity levels higher than in Germany.

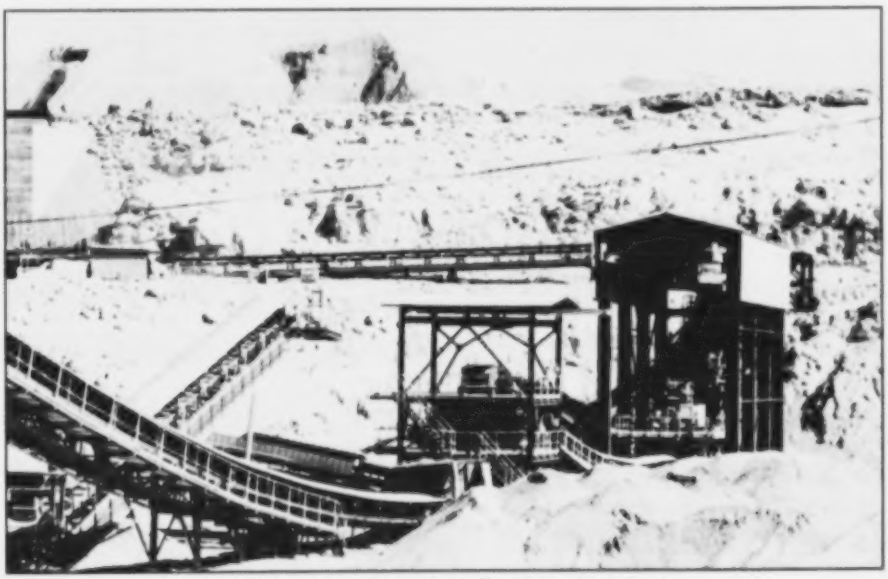


Source: IMF *annual average

Low labour costs have traditionally been one important factor attracting investment into Tunisia. This advantage has steadily been eroded, partly as a consequence of the steady increase in the minimum wage, and as a result of the development of new low-wage investment opportunities in Eastern Europe and Asia.

Better trained workers may represent a real bargain for the multinational companies, however, Mr. Hannachi argues. More than three decades of investing heavily in schooling has produced a well-educated population, capable of functioning well in modern manufacturing. This is one reason why US jeans manufacturer Lee Cooper moved its entire European manufacturing operation to Tunisia, an investment estimated at some $60 mn.

Mr. Hannachi argues that the attractions of using skilled and semi-skilled local labour will lead Tunisia along the path of technological development trodden by countries like Malaysia. He points to the French Alcatel group, whose research and development centre in Tunis is producing software for use in Europe and is staffed with Tunisians who graduated from France's leading centres of higher education, the *grandes écoles*. "Only by opening the way to such investment can the conditions be created for such professionals to return home. They are happy to be working in their country, at higher rates of pay than most other workers — but still considerably lower than in Europe," he says.


Tunis Afrique Press Agency

Phosphate mine: a key sector in Tunisia's export success

Mr. Hannachi cites technology parks as one way forward, helping to reverse the brain drain and encouraging the development of small-scale high-tech projects to complement larger ventures. "We have looked at South-East Asia and seen that technology parks in countries like Malaysia have proved a very effective tool for channelling technology into these countries," he says. There are plans to build the first private sector technology park on a 40-hectare site near Tunis-Carthage airport.

For all the government's efforts, and the establishment of hundreds of operations by overseas concerns, foreign investment remains relatively limited compared with Malaysia or Hungary, for example. Total investment rose to TD3.5 bn ($4 bn) in 1992 from TD2.5 bn in 1990. However, of the total, TD3.3 bn was domestic. While foreign manufacturing investment rose in 1992, the figure remained low at only TD52 mn. The government is now seeking to triple investment outside the energy sector to some $200 mn a year.

With traditional industries such as olive oil suffering from over-production — its export potential adversely affected by EU protectionist policies — and demand for textiles and other manufactured goods hit by reccesion in Europe, many Tunisians face difficulties, despite continued growth in the economy. In mid-1993, the textile employers' association, Fenatex, said the situation was grave, with firms reporting falls in turnover of up to 50 per cent.

Tunisia: economic indicators

	1980	1986	1987	1988	1989	1990	1991	1992
GDP at current prices (TD mn)	3,510	7,021	7,997	8,685	9,661	10,990	12,194	13,928
Real GDP growth (%)	4.3	-1.1	6.7	0.1	3.7	7.6	3.9	8.0
Merchandise exports ($mn)	2,155	1,763	2,101	2,399	2,231	3,515	4,021	4,180
Merchandise imports ($mn)	3,129	2,698	2,829	3,496	4,139	5,193	4,895	5,800
Tourist receipts ($mn)	n.a.	306	472	932	836	727	583	824
Current account balance ($mn)	-354	-618	-60	216	-160	-523	-191	-522
Gross budget deficit/GDP (%)	2.82	4.6	4.3	4.8	5.7	4.6	5.6	3.0
Gross investment/GDP (%)	29.4	23.5	20.6	19.4	22.7	26.4	23.1	25.8
Total external debt ($bn)	3,526	5,943	6,817	6,807	6,970	7,737	8,330	8,476
Debt service ratio (to exports) (%)	14.8	28.2	28.7	21.9	22	24.2	22.8	20.4
Official development assistance per capita ($)	36	30	36	41	30	50	37	n.a.
Olive oil production ('000 tonnes)	n.a.	120	95	58	130	170	256	100
Food production per capita (1979-81=100)	n.a.	101	120	82	96	111	126	116
Exchange rate (average TD per dollar) †	0.405	0.794	0.829	0.858	0.949	0.878	0.925	0.884
Reserves (months of import cover)	2.3	1.3	2.1	3.1	2.7	1.8	1.9	1.8
Crude oil production (millions of tonnes)	5.66	5.25	4.99	4.91	4.93	4.50	5.20	5.20
Inflation rate (%)	10.0	8.2	8.2	7.2	7.7	6.5	7.8	5.5

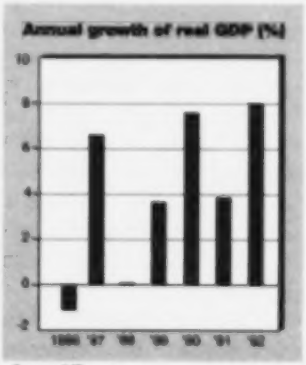
Source: World Bank, IMF, FAO, OECD, Government of Tunisia †October 1993 TD 1.01 = $1 n.a. non-available

Recession in Europe has highlighted the economy's exposure to external influences. But despite the temptation to close the trade doors it has not produced a backlash from the authorities, and plans to complete trade liberalization this year remain on course.

Political pressures

The trend towards an open economy did not emerge overnight. Tunis has often moved slowly. This sometimes slow pace has frustrated those, such as US investment banks, who argue that privatization and other facets of liberalization should be accelerated. Less than 40 companies, out of a total of 200 state-owned entities, have been privatized, and most of these have been small.

Those calling for faster liberalization often fail to take into account political and social factors which reflect the fact that despite its peaceful exterior, Tunisia is not always an oasis of calm. Since replacing former President Habib Bourguiba in a bloodless coup in 1987, President Ben Ali has overseen a cautious shift from the former authoritarian political regime to a more open system.



Source: IMF

Tunisia has not been immune from North Africa's struggle between radical Islam and state structures which have evolved only slowly since independence. Human rights groups such as Amnesty International have expressed strong concern over abuses they claim have been carried out in actions against the main Islamist party, Ennahda. But the view of an official in Washington is that "Tunisia stamped on its Islamists and avoided the mistakes Algeria has made. It's not a pretty sight but it works, and the economy has benefited accordingly."

After a period of struggle with Ennahda, "Tunisia has put its house in order," Foreign Affairs Minister Habib Ben Yahia says. The government now agrees with opposition politicians and donors who argue that an accelerated move to pluralist politics is required to complement the opening up of Tunisia's economy. This view is recognized by Mr. Ben Yahia who says "there is now the need to root democracy in the Tunisian environment." This policy was spelt out at the July 1993 congress of the ruling Rassemblement constitutionnel démocratique (RCD) when President Ben Ali declared that "pluralism calls for competition."

Although Tunisia is nominally a multi-party democracy, the RCD has held all 144 seats in the Chamber of Deputies (parliament). Elections held in March were designed to provide what Mr. Ben Yahia calls "a different parliament and a more relaxed political scenery," with representation guaranteed for legalized opposition parties.

There have been efforts before to give parliamentary seats to the Mouvement des démocrates socialistes (MDS) and the half-dozen other, smaller opposition parties. However, such arrangements failed to take root.

This time, 19 new seats, based on proportional representation (PR), were added to the existing seats. In the 20 March presidential elections, President Ben Ali, the only candidate, won re-election for another 5-year term. In the legislative elections, the RCD again won all seats under the old "first-past-the-post" system, leaving the opposition with the 19 PR seats. The results appear to underline RCD's claim to be a genuine

mass party, with 1.6 million members, of which 60,000 are elected cadres. But the government's tight control of the electoral process and the banning of Ennahda, which might have presented a serious challenge, has led to strong criticism that the opposition will remain only a token voice.

However limited, a parliament more sensitive to opposition criticism should help, not hinder, the reform effort, donors argue. The liberalization process has been balanced throughout with the need to take account of conflicting currents of opinion. Organized labour is one of these. This was underlined in mid-1992 when a three-year agreement on annual pay increases of up to 10 per cent was reached between the national UGTT trade union and private sector employers in a deal brokered by the government.

The growing effort to create jobs for a relatively highly educated population should give the majority of people a stake in the existing economic system, analysts argue. This extends to the rural areas, where the expansion of infrastructure, including precious water supplies, have noticeably improved living conditions. The success in expanding output, despite setbacks from drought, has sharply reduced cereal imports. Most producer prices have been liberalized — and have continued to rise, though not always enough to counter the escalating cost of some inputs, such as fertiliser where subsidies were sharply cut in 1992.

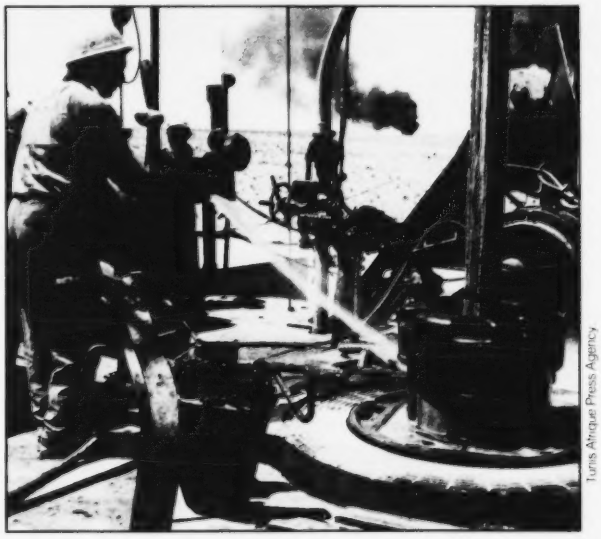
Women are in positions of responsibility to an extent unusual for the Arab world. This reflects a policy of emancipation and equal rights which started in the earliest years of former President Bourguiba's rule. "The important role given to women in education and the workplace has been a factor acting against the emergence of a radical Islamist movement to match the FIS (Front islamique du salut) in Algeria," a Tunisian diplomat argues.

European links

The economic prosperity on which political stability must rest is crucially dependent on ties with the EU, on which Tunisia depends for over 70 per cent of its trade. The government, however, does not see this in a narrow national sense. With its geographical proximity to European, Arab and African markets, Tunisia is the most enthusiastic proponent of regional unity. Its presidency of the Arab Maghreb Union (known by its French acronym UMA) in 1993 has kept alive the vision of the troubled grouping as a stronger negotiating bloc with North Africa's powerful Northern trading partner. Rapprochement in the Maghreb has meant closer ties with its immediate neighbours, Libya and Algeria, and the prospect of much closer economic integration and trade between these three countries and the other two UMA members, Mauritania and Morocco. However, recent political tensions have led UMA states to look again towards Europe.

Morocco is negotiating a free trade agreement with the EU similar to Tunisia's. Egypt and Algeria are also candidates, providing they maintain the pace of reform. The agreements aim to draw North African economies into the European orbit — in EU parlance, helping to "bed down" volatile, predominantly youthful societies on Europe's southern flank, and consolidating a complex economic relationship to potentially mutual benefit.

But Tunisia's experience in the olive oil trade is a reminder of how unequal such relations can be. With a production capacity of up to 300,000 tonnes, Tunisia's annual quota into the EU — by far, the world's largest market — is just 46,000 tonnes, as the Union protects its farmers in southern Europe. Subsidized exports by the EU further erode markets for Tunisia — the world's fifth largest producer — in countries such as the US.



Tunis Afrique Press Agency

Drilling oil on-shore: Tunisia could soon become a net oil-importer.

Nevertheless, as Tunisia tries to diversify its economy, it is the EU which is the primary source of both the capital and consumer power needed for this strategy to succeed. Success — hopefully in harmony rather than in competition with its UMA partners, and with Egypt — will encourage further inflows of funds from the richer Arab states, already being tapped by a growing banking network in Tunis, and new trade from African states to the south, using Tunisia as an entrepôt.

This attractive prospect will demand more of the caution and determination already put to good effect in reforming Tunisia's economy, as well as considerable negotiating skills with investors and trading partners alike. ■

Japan spotlights African development

Against a background of troubling economic indicators for Africa, positive visions of commitment at continental and national level and of strengthened international support were evident at last October's Tokyo International Conference on African Development (TICAD). Over 400 high-level participants, including five African heads of state, unanimously adopted a Tokyo Declaration which spelled out a strategy combining good governance and private sector development with supportive international measures in a framework for African economic recovery. Practical results of the conference were few, but participants agreed that African development concerns had regained prominence on the international agenda, reversing post-Cold War trends.

Japan Foreign Affairs Ministry

Japanese Prime Minister Morihiro Hosokawa addressed TICAD.

"We must not allow the needs of Africa to be ignored in any way because of developments in other areas of the world," Japanese Prime Minister Morihiro Hosokawa stressed in his keynote address. Botswana's President Sir Ketumile Masire told *Africa Recovery* that TICAD had "renewed and strengthened interest in Africa among development partners," and Japan's "belief and experience in private sector activities" added a new dimension to international assistance. African leaders had responded positively and "they now expect concrete action," he said.

The largest conference on African development in over a decade and the first in Asia, TICAD, was sponsored by the UN (with the Office of the Special Coordinator for Africa and the Least Developed Countries acting as liaison), Japan and the Global Coalition for Africa (GCA). Participants included the heads of state of Benin, Botswana, Burkina Faso, Ghana, Uganda and Tanzania, as well as senior officials from 48 African countries, donor countries and multilateral institutions.

The Tokyo Declaration represents "an emerging consensus in regard to the critical development issues of Africa," according to Ms. Ellen Johnson Sirleaf, UN Development Programme (UNDP) Assistant Administrator and Director of its Regional Bureau for Africa. It calls for strengthening the partnership between Africa and the world community, deepening African political and economic reforms, tackling the root causes of man-made and natural disasters and promoting regional cooperation and integration.

Gains made through national reforms need to be consolidated through regional integration, said President Nicéphore Soglo of Benin. President Yoweri Museveni of Uganda added that the many African countries with structural adjustment programmes still need grassroots participation, transparency and accountability in government and a national consensus on development strategy.

Support for African reforms

Prime Minister Hosokawa declared that Japan would maintain support for Africa's political and economic reforms. As part of overall Japanese aid to sub-Saharan Africa, Foreign Minister Tsutomu Hata announced non-project grants of $650-700 mn to support democratization and economic liberalization over 1993-95. Mr. Hata said Japan would also make some $250-300 mn in grants over the same period to develop underground water resources.

Mr. Hosokawa stated Japan's commitment to human-centred development, with support for Africa's human resources "based on our own experience that development primarily depends on people and that the rewards of this development are for the people."

Noting the Prime Minister's proposal of a cultural exchange of 100 young Africans and Japanese, Mr. Hata described the funding for water development projects as part of his country's intent "to place special emphasis on the day-to-day life of African people."

Although Ghanaian President Jerry Rawlings expressed hope that Japan would "exert a political influence in the international development debate commensurate with its substantial and increasing financial assistance," the TICAD initiative indicates a cautious approach. Mr. Hisao Yamaguchi, TICAD secretary and a director in Japan's bureau of development cooperation, told *Africa Recovery* that Japanese organizers took great pains that the conference would be welcomed and supported by Africa's traditional development partners.

A second concern, Mr. Yamaguchi noted, was to ensure that TICAD would not be seen primarily as an opportunity to seek more financial aid. "We hope our contribution to African development will be measured in terms of

Japanese NGOs call for grassroots approach

Donors should route more aid through community-based groups and non-governmental organizations (NGOs), declared participants at "Africa Now!", a forum held in Tokyo two days before TICAD. The forum issued a "People's Statement" which criticized most aid for its focus on government institutions rather than on the key participatory role of local people. Orthodox aid projects "actually widened poverty" and worsened local conditions by "drastically increasing" dependency and foreign debt. "Africa Now!" organizers negotiated successfully for observer status at TICAD and had their statement distributed to participants

The symposium was organized by Japanese NGOs, academics and concerned citizens. Other participants included nine African NGOs and the Canadian NGO network Partnership Africa Canada (PAC). Mr. Abdoul-Mazide N'Diaye, president of the Forum of African Voluntary Development Organizations, expressed optimism for a Japan-Africa, people-to-people relationship that was developing without a background of colonial exploitation.

The forum decided to work towards an international NGO consortium as a follow-up, with Mr. Shibata Hisashi, an official of the Japan International Volunteer Centre, noting that Africa-oriented NGOs in Japan had made connections with African and Western NGOs for the first time. It was essential to link up with the "many grassroots African organizations struggling to overcome the continent's problems and achieve self-reliance," Ms. Yoko Ozeki general-secretary of the new consortium, told *Africa Recovery*. Mr. N'Diaye said Japanese NGOs had now made their government aid officials "listen," and "they're getting results."

ideas, rather than amounts of money," he said. Although Japan became the world's largest bilateral development aid donor in 1993, its aid disbursements to Africa have fallen since 1989.

Asked at a TICAD session about the likelihood of increased investment in Africa, Mr. Nukazawa Kazuo of the Keidanren Group, the Japanese business federation, said Japan's private sector was looking for improved political stability, economic policies and administration. He said markets must be large enough to justify investment, and regionalization projects in Eastern and Southern Africa, as well as the Maghreb Union, were attracting interest.

The East Asian model

One of the TICAD plenary sessions reviewed Asian experiences and drew lessons for Africa. Endorsements of methods said to have produced good results along Asia's Pacific rim were interspersed with warnings that economic models do not travel well from one continent or time period to another, and that there are not one, but a variety of Asian experiences.

Japan Foreign Affairs Ministry

Japanese Deputy Prime Minister Tsutomu Hata (middle) with President Nicéphore Soglo of Benin at the Tokyo conference.

There was broad agreement on making the private sector the engine of sustainable development, President Masire said, but that strong government is needed to support it. "What typifies the Asian success story is good governance and effective implementation," noted World Bank Vice President for Africa Edward Jaycox. "A vital lesson for Africa" was the fact that "Asian countries have invested in the skills and knowledge of individuals who analyze, plan and implement policy."

Mr. Richard Jolly, Deputy Executive Director of UNICEF, stressed the message that "an active, supportive role for government is highly cost-effective. The 1980s notion that all government is bad government unless absolutely necessary was an oversimplification passed along by the international financial institutions."

Other important policy lessons from Asia's experience included support for agriculture to attain food self-sufficiency, a strong market orientation, export promotion, encouragement of high rates of savings, and use of foreign investment to acquire advanced technology.

Participants at TICAD agreed in principle on keeping up the momentum from this aspect of the conference. A follow-up seminar on Asian economic models and ways to improve African-Asian cooperation is planned for Jakarta in mid-1994 with sponsorship from Indonesia, Japan, the UN and UNDP.

International partnership

Another important area of discussion concerned the terms on which to strengthen the international partnership for African development. Mr. Michel Camdessus, Managing Director of the International Monetary Fund (IMF), said Africa must bolster the private sector through a sound and appropriate mix of macroeconomic, structural and social policies, with a liberal trade and exchange regime and consistent good governance. International support should come in three main ways: opening markets to African exports; extending technical assistance, especially for capac-

turn to page 35

Summary of the Tokyo Declaration on African Development

Political and Economic Reforms

- Africa to continue political and economic reforms, especially as regards democratization, quality of government, human and social development and economic liberalization. Development partners to provide priority support for reforms and capacity building.
- Structural adjustment programmes to improve access of the poor to income-earning opportunities and social services; give increased priority to poverty alleviation and to investment in human capital through nutrition, health and education programmes.
- Rapid population growth to be addressed within the socio-economic development process.

Economic Development through Activities of the Private Sector

- African countries to foster private sector and to encourage entrepreneurship.
- Improved financial systems needed to stimulate savings and foreign investment and stem capital flight.
- Development partners to facilitate market access for African products and assist in upgrading and diversifying African exports.

Regional Cooperation and Integration

- Africa's move toward regional integration and cooperation to continue in the context of the Abjua Treaty, with support from development partners.

Emergency Relief and Development

- African countries responsible for disaster prevention and management, addressing root causes of manmade and natural disasters and ensuring food security. Development partners pledge to provide humanitarian assistance for disaster-stricken communities.

Asian Experience and African Development

- Asian successes demonstrate the value of commitment by leaders and people to economic prosperity, long-term development and functional government administration.
- Achievements in East Asia have enhanced opportunites for South-South cooperation with Africa.

International Cooperation

- Solidarity between Africa and the international community.
- Promotion of the role of African women, and a larger role for local NGOs.
- Donor countries to make all efforts to enhance development assistance. Assistance oriented to priorities set by African countries, with the expectation that it is efficiently utilized.
- African debt to be urgently addressed in the context of debt relief and flows of new financial resources.
- Protection of African natural environment.
- A stronger response to the AIDS pandemic.

Japan raises its profile in Africa

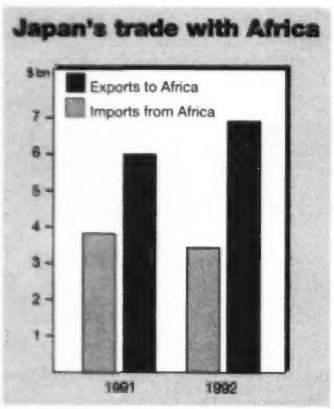
By R.C.F. Swinnerton, in Tokyo

Japan, the world's largest aid giver, took a significant step to increase its visibility as a major player in African development when it hosted the Tokyo International Conference on African Development (TICAD) on 5-6 October.

Japanese officials see TICAD as a coming of age for Japan and "the start of a new era" in relations with Africa. One official said the main benefit of TICAD was that Japan had "overcome its psychological barrier toward Africa" and would now play a more active role on the continent.

But Japanese officials were at pains to emphasize that Japan was raising its aid profile without trying to supplant traditional Western donors. Some African delegates were disappointed that Japan's announcement in June of plans to boost its global official development aid (ODA) by 50 per cent over 1993-97 was not followed up at TICAD with information on specific totals for Africa (see page 28). The continent must therefore wait to see how Japan's expressions of increased support translate into a share of this $70-$75 bn boost to ODA.

Tokyo observers warn against expectations of any major new initiatives. They point out that the foreign ministry's enthusiasm is not shared by the powerful Ministry of International Trade and Industry (MITI) or the Ministry of Finance which is ultimately responsible for allocating bilateral and multilateral aid.

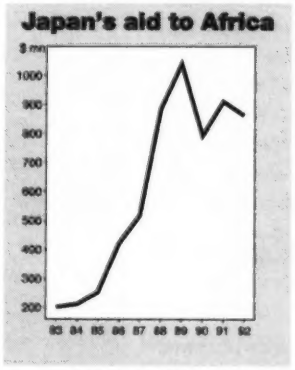


Source: Government of Japan

World's largest donor

Japan provided 10 per cent of total ODA to sub-Saharan Africa in 1992, with an allocation to all Africa of $859 mn, making Japan the fourth largest donor to the region. But this was some $50 mn down on 1991, and was part of a 9.9 per cent fall (in yen terms; 4.4 per cent in dollar terms) in total Japanese ODA disbursements. While Japan overtook the US in 1991 as the world's largest aid donor and consolidated this position with total ODA of $11.51 bn in 1992, this ranked Japan 15th among major donors as a percentage of GNP; the US ranked 20th out of the 21 countries in the Organization for Economic Cooperation and Development.

Still, Japan is the largest bilateral donor to the World Bank's Special Programme of Assistance for Africa, a major contributor to the new enhanced structural adjustment facility of the International Monetary Fund (IMF), and a leading donor to the African Development Bank and African Development Fund.



Source: Government of Japan

Africa gets a much higher proportion of grants than other recipients of Japanese aid, amounting to $552 mn last year, or 64 per cent of its total (up from 60 per cent in 1988). The main African recipients of this aid in 1993 were (in descending order) Kenya, Zambia, Tanzania, Nigeria, and Ghana, followed by Zaire, Senegal, Madagascar, Malawi and Niger.

Principles of aid policy

In 1991, Japan announced "Four Principles" that would guide its aid policy. These principles stipulate that aid should not be used for arms or policies of aggression, but in environmentally sound ways by countries moving towards market economies, using aid with greater transparency and eliminating corruption. Japan is also reviewing the scale and content of aid projects, with possibly more emphasis on appropriate-technology projects, and more funding through non-governmental organizations.

Foreign Minister Tsutomu Hata told TICAD that Japanese policy would emphasize effectiveness and efficiency" and aid would mainly go to countries pursuing adjustment programmes. Japan also intended to send more economic cooperation missions to African countries and "strengthen policy dialogue" with them.

Although ministry officials deny that Japan has any intention of favouring specific countries, some Japanese analysts believe that after TICAD, the ministry is seriously considering the idea of focusing on key countries in four different regions of Africa, and chanelling ODA, technical assistance and investment to them. The theory is that boosting development in core countries would help pull up neighbouring economies in each region, along the lines of the model that helped fuel growth in South East Asia. Among possible "core" economies—the most stable and with the best infrastructure—would be Kenya and/or Tanzania (in East Africa), Zimbabwe (Southern Africa), Nigeria (West/Central Africa) and Ghana (West Africa).

On the urgent issue of debt relief, Japan remains very cautious. It insists that it will not take any unilateral action, that it will act in concert with other creditors, and that it is not in a position to argue for debt reduction by the IMF or World Bank. Although this policy is under review, as agreed at the Tokyo G-7 summit last June, few analysts think Japan will relax its approach. Neither Mr. Hosokawa nor Mr. Hata referred to this crucial problem in their TICAD speeches, and aid officials say that cancellation of African debts would cause difficulties with Asian countries which owe Japan much larger sums.

In the areas of trade and investment, two main factors govern Japan's overall approach to Africa: the degree of political and economic stability in individual African countries, and its own domestic economic situation, specifically the current recession — not to mention its inherent caution outside its traditional areas of interest.

Japan's trade with Africa involves importing raw materials, mostly minerals, oil and petroleum products, and foodstuffs, and exporting manufactured goods, mainly motor vehicles and machinery. This trade totalled some $10.4 bn in 1992 (just 2.5 per cent of its global trade), with the balance over $2.5 bn in Japan's favour and rising, as exports rose 12 per cent and imports fell 5.9 per cent.

Tokyo conference

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Major trading partners

South Africa is Japan's biggest partner in the continent, accounting for 25.4 per cent ($1.7 bn) of Japanese exports to Africa in 1992 and 52.5 per cent ($1.9 bn) of its imports. Other countries with substantial trade links with Japan were Nigeria and Kenya (7.8 and 2.6 per cent respectively of Japanese exports), and Zambia and Mauritania (6.8 and 4.2 per cent respectively of Japan's imports).

Most of this is handled by the large Japanese trading houses through offices in major African capitals. But only in South Africa are all the "Big Nine" Japanese trading houses installed. Business volume for Itochu (one of the "Big Nine", formerly known as C. Itoh) rose from $301 mn in 1991 to $328 mn in 1992, and an estimated $520 mn in 1993. A substantial share involved imports from South Africa of coal, manganese ore and woodchips, and exports there of Mazda pickup trucks and Komatsu construction machinery.

Since Japan lifted its sanctions on South Africa, Itochu has twice sent delegations to discuss both trade and investment with public and private sector officials. Keidanren (The Federation of Economic Organizations — Japan's most influential business organization) has also sent two trade missions. The Mitsubishi Group recently invested $25 mn in a new shaft at a platinum mine. The major Japanese automakers —Toyota, Nissan and Mazda — have locally-owned assembly plants there. A substantial development in the automobile industry was the 1 December announcement that Mitsubishi will build one-ton L-200 pick-up trucks there in a project with the Daimler-Benz Group, starting this year.

Japan's foreign ministry views South Africa as crucial for the development, not only of Southern Africa, but the entire continent, and is urging the Japanese private sector to increase its presence in South Africa. But, as Mr. Yamaguchi of the foreign ministry says, "you can only lead the horses to water." Most potential investors are waiting until the April elections for clarification of policy directions. However, Itochu's Yoshio Okuyama says his company is already starting to look at ventures in the fields of liquefied petroleum gas, petrochemicals and ferro-alloys.

Outside South Africa, Kenya has been trying to attract Japanese investment, especially in its food industries. It also sees great potential in tourism from Japan. Kenya is already the largest destination for Japanese tourists in sub-Saharan Africa, although the 9,500 Japanese arrivals in Nairobi in 1992 were minimal compared to visitors from Europe. One major hindrance is the lack of a direct air link, which also limits exports from Kenya's flourishing horticultural industry.

Japan's major trade partners in Africa, 1992

Source: Government of Japan

While it may never hold as prominent a place in Japan's consciousness as neighbouring Asia, or even Europe, awareness of Africa is slowly increasing at the grassroots level. There are growing numbers of Japanese volunteers participating in non-governmental organizations working in Africa; African students are coming to study at Japanese universities, and African musicians are performing in Tokyo and other major cities.

But perhaps the greatest boost to popular awareness of Africa was when Japanese Self-Defence Force personnel joined the UN peace-keeping operation in Mozambique. This triggered a flurry of television coverage on the situation there and in other parts of Africa. Japanese development experts see this increasing familiarity as ultimately the most fundamental and permanent way in which growing linkages will lead to greater long-term economic cooperation. ■

ity-building; and finance, including prompt "debt reductions of two-thirds along the lines of the Trinidad terms" for the poorest countries. Aid, he stressed, should be contingent on the adoption of adjustment programmes.

President Masire in turn emphasized that development partners needed to reject "past tendencies of prescribing programmes for Africa," adding that they had accepted the concept of building consensus on how to tackle the continent's problems. Further concern over programme "ownership" came from Ghana's finance and economic planning minister Kwesi Botchwey, who argued that economic programmes must be "firmly anchored in local capacity, and this capacity will not be developed if every time we initiate anything we are asked if it has been endorsed by the World Bank or the IMF."

The Tokyo Declaration stressed that development partners should support reforms "initiated and carried out by African countries themselves, based on their visions, values and individual socio-economic background."

Africa's development partners pledged to "facilitate market access for African products globally and to assist in upgrading and diversifying African exports." But on the question of debt relief, African participants were disappointed by the Declaration's failure to go beyond endorsement of the current Paris Club strategy. Bilateral creditors have so far given reductions on official debt of only 50 per cent.

A confident conference

"The debate as to the secret of successes in South-East Asia and how applicable they are to Africa was technically interesting," Mr. Jolly found, "but more importantly, it led to a mood of optimism. The preoccupation of European countries with their own difficulties has been casting a pall of gloom over discussions of African development. You don't get that in South-East Asia."

Swedish Ambassador to Botswana Rasmus Rasmusson, one of the conference rapporteurs, said TICAD was "carefully prepared and permeated with Japanese thoroughness." He added that the presence of a large number of African leaders and several ministers of development from industrialized countries "instilled a tone of action and commitment." ■

New Agenda for Africa

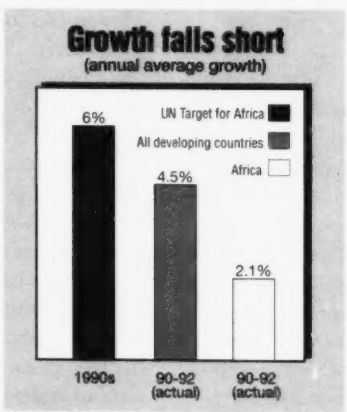
from page 1

any large-scale measures to implement NADAF, declared Mr. René Valéry Mongbé, Benin's Permanent Representative to the UN, reminding the General Assembly that African development was one of the five highest priorities for the UN in the 1990s. But Namibia's Ambassador to the UN Tunguru Huaraka was confident that NADAF "can be a vehicle for ensuring that Africa is at the focus of attention" in the UN system throughout the 1990s.

Need for debt-cancellation

The December resolution reminded international creditors of the agreed need for a 4 per cent real annual rise in aid flows to Africa, and for measures in support of capital formation. It also urged African countries to continue their efforts to improve the investment climate. The resolution implicitly reaffirmed Africa's need for debt-relief and debt cancellation. But the urgent call for an international conference on Africa's external indebtedness contained in Algeria's draft resolution was diluted in a final text that mentioned continuing "serious consideration" of such a conference.

While recognizing the "persistent efforts" at political and economic reform in Africa, the General Assembly also stressed good governance and the "crucial importance of adequate social services" in a human-centred development process. It also insisted that "full participation of the people, especially women" was essential to sustainable growth and development.



Source: UN

NADAF sets out an agreed framework for action by Africa, creditor countries and the UN system with a clear set of targets aimed at promoting sustainable development. It describes adequate resource flows as a "critical element in Africa's economic recovery" (see page 37), and calls for an increase of official development assistance (ODA) to Africa from $20 bn in 1990 to $30 bn in 1992, and by 4 per cent in real terms each succeeding year until 1999.

"Such resources still have not materialized," Mr. Mongbé said in the General Assembly. In fact, ODA fell to $18.3 bn in 1991 and plunged to $12.1 bn in 1992, notes the Secretary-General's report.

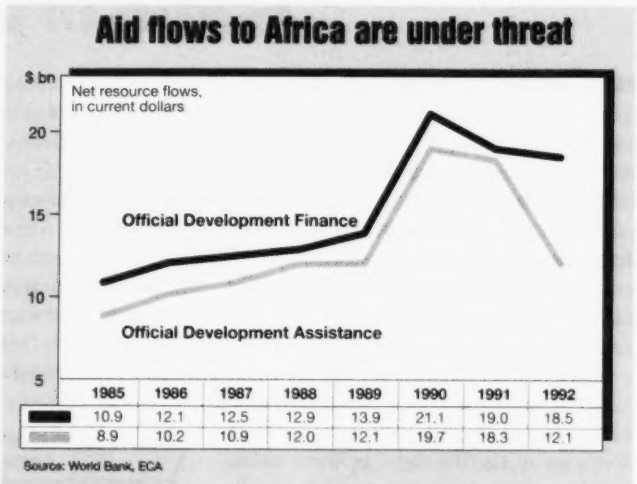
"It is unlikely that the level of ODA to Africa will grow substantially during the 1990s," the report warns, also forecasting a fall in multilateral aid in the 1995-2000 period. It anticipates that Africa will have a harder time attracting foreign investment, given the competition from the new countries of the former Soviet Union and from Eastern Europe.

With the Secretary-General reporting only 2.1 per cent average annual growth of Africa's gross domestic product (GDP) in 1990-1992, clearly exceeded by average population growth of 3 per cent a year, prospects of attaining the NADAF goal of 6 per cent average annual growth of GDP during the 1990s are receding rapidly. An undesirable reminder of Africa's vulnerability was the drought that hit the eastern, southern and central regions of Africa, resulting in a decline in their per capita GDP of 2 per cent in 1992.

Africa lost $5.6 bn from continuing decline in commodity prices in 1991 alone, according to the Secretary-General's report. With early signs of a possible end to the 20-year downtrend in prices remaining uncertain, commodity analysts believe the markets will remain volatile. The Secretary-General's report therefore calls for an improved external environment for Africa, "particularly as it relates to commodity prices and market access."

The report also argues that it is crucial for African countries to be able to increase their capacity to process primary commodities locally as well as to produce and export a broadened range of commodities. Addressing the General Assembly, Ambassador Ernst Sucharipa of Austria and Ambassador Paul Noterdaeme of Belgium agreed that Europe should facilitate better access for African products.

Africa's massive debt grew even larger during the first years of NADAF. The Secretary-General reported that the stock of debt was equivalent to 93 per cent of the continent's 1992 GDP, and servicing it consumed 32 per cent of that year's export earnings.


Aid flows to Africa are under threat
$ bn
Net resource flows, in current dollars
20
15
10
5
Official Development Finance
Official Development Assistance
1985 1986 1987 1988 1989 1990 1991 1992
10.9 12.1 12.5 12.9 13.9 21.1 19.0 18.5
8.9 10.2 10.9 12.0 12.1 19.7 18.3 12.1
Source: World Bank, ECA

Net exporters of capital

"The heavy and unbearable external debt burden of African countries has led to the paradoxical situation that such countries have become net exporters of capital to developed countries and multilateral financial institutions," commented Mr. Luis Fernando Jaramillo, Colombia's representative to the UN and, at the time, chairman of the Group of 77.

The Secretary-General's report asked for new initiatives, including further debt cancellation, the conversion of debt stock and debt service reduction for all categories of debtor countries. His position was supported by Norway's then Ambassador to the UN Martin Huslid, speaking for the Nordic countries.

"We must attack the African debt overhang head on," he said. "And we must do it fast." Mr. Huslid was chairman of the UN committee which negotiated the New Agenda, and also of the informal consultations which hammered out the wording of the 1993 General Assembly resolution on NADAF.

Improved financial flows vital to Africa

Mr. Boutros-Gali's recommendations and the General Assembly's response both aimed at renewing the bargain between Africa and its development partners at the heart of NADAF.

"Many [African] countries have adopted far-reaching measures often advocated by their development partners," Mr. Boutros-Ghali said in his report. He noted that more than 30 countries have carried out rigorous structural adjustment programes. And although some governments continue to resist popular demands and some overspend on their military, overall there is a "rising tide of democratic movement in Africa," pushed by "demands for a pluralistic system, accountability and freedom of speech."

UN/M Grant

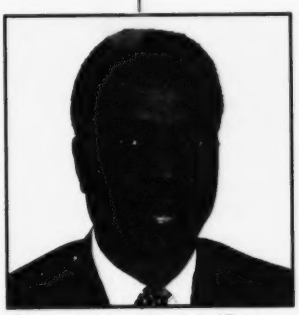
Mr. Martin Huslid of Norway

"Ambitious but painful" economic reforms had cut budget deficits from 12 per cent of Africa's GNP in 1987 to 5 per cent in 1991, Algeria's Ambassador to the UN Ramtane Lamamra pointed out at the 4 November session.

More help needed

Many African countries were carrying out difficult economic adjustment programmes requiring both "courage and political conviction," said Mr. Boutros-Ghali in his speech to the Panel of High-Level Personalities. However, "structural adjustment is not popular on the streets of Africa," he warned, adding that "political will alone cannot guarantee results."

He said the fruits of these efforts had yet to ripen, "but the hardships they have brought are already very apparent. Dislocation, unemployment and declining living standards are only a few of the immediate difficulties that many countries are now experiencing. Governments must be encouraged to stay the course. Greater care must also be taken to help governments address the dire human consequences of such reforms."



UN/M Grant

Mr. René Valéry Mongbé of Benin

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Financial flows to Africa fell by 14 per cent in 1991 and by an even greater magnitude in 1992, said UN Secretary-General Boutros Boutros-Ghali in a special, October 1993 report. This downtrend, a stark reversal of the recommendations made in NADAF, led Mr. Boutros-Ghali to conclude that "for this decade and the next, Africa's development will require significant increases in external financial resources and debt relief measures."

More dependent than any other region on external financing, Africa's countries often have domestic savings rates as low as 10 per cent of gross domestic product (GDP), compared to more than 20 per cent in some other developing regions. As a result, domestic financing covers only one-quarter of capital investment needs in a period when infrastructure is often sorely inadequate and inflows of foreign investment remain low.

> **"For this decade and the next, Africa's development will require significant increases in external financial resources and debt relief measures."**
>
> UN Secretary-General Boutros Boutros-Ghali

Deteriorating terms of trade have been especially devastating. In 1992 alone, Africa's terms of trade fell 7.5 per cent, much greater than for other regions. This slowed economic activity and restricted the ability to import.

For economic reforms to help stimulate recovery and sustained growth, "African countries must be able to import the raw materials, spare parts and investment goods needed to expand their production, income and exports," says the report.

In current dollars, net financial flows to Africa fell from $22.2 bn in 1990 to $18.4 bn in 1992. This means that in constant 1985 dollars, net resource flows were only $14.7 bn in 1992, even lower than the $15.8 bn received in 1985. Most disturbingly, the report points out that when allowance is made for repayments of interest and profits, real net transfers of aid, loans and foreign investment to Africa plunged only slightly less than 50 per cent, from $10.4 bn in 1990 to $5.3 bn in 1992.

However, sub-Saharan Africa did not fare as badly. In 1992, its net resource flows were $14.2 bn (in 1985 dollars), down from $14.6 bn in 1990, but still significantly higher than the $9.6 bn level of 1985. Real net transfers for sub-Saharan Africa also remained steady in the 1990s, at around $9.7 bn.

But overall aid flows, while still higher than in the mid-1980s, also fell sharply in 1992. In current dollars, official development assistance (ODA) to Africa went from a 1990 peak of $19.7 bn to $18.3 bn in 1991 and plunged by 33 per cent in 1992 to just $12.1 bn, a far cry from the NADAF-recommended target of $30 bn a year. For sub-Saharan Africa, ODA in 1992 fell by 22 per cent from 1991, though the latest figures from the Organization for Economic Cooperation and Development show a slight upward trend for 1992 (see page 13).

Multilateral aid likely to fall

The late 1980s rise in aid from multilateral organizations "tapered off during the early 1990s," the Secretary-General notes, and is "likely to slow down significantly" after 1995 without significantly higher replenishments of the World Bank's soft-loan arm, the International Development Association, and the African Development Bank's African Development Fund. Continued reductions in aid would be devastating for sub-Saharan Africa in particular, since ODA now accounts for 80 per cent of its inflows of financial resources.

The report urges the 21 major donor

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New Agenda for Africa

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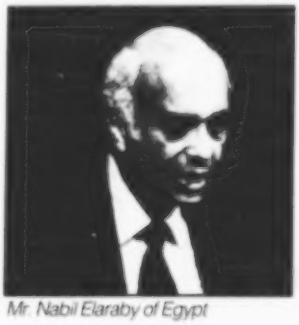
The importance of improved regional cooperation and integration, a major goal of NADAF, was highlighted by the Secretary-General and the High-Level Panel. "Regional markets can provide export alternatives for local producers," Mr. Boutros-Ghali said, adding that regional projects could help to rationalize "the use of resources and talent." Regional alliances would also enable African countries to "negotiate on more favourable terms with their international counterparts."



Mr. Nabil Elaraby of Egypt

Regional cooperation

National adjustment programmes should also be harmonized at regional level, said Mr. Layashi Yaker, Executive Secretary of the Economic Commission for Africa, in a paper to the High-Level Panel. Orthodox structural adjustment programmes, he argued, mandate currency devaluations, fiscal policies and changes in interest rates at the national level that can work against regional integration.

Key objectives for socio-economic transition identified in the Secretary-General's report include reduction of poverty and provision of vital services, improved education and technical training, support for agriculture and environmental protection, promotion of women's rights and opportunities, mobilization of domestic savings and foreign investment, more efficient and accountable political and administrative structures, and greater popular participation in decision-making.

"Development is a political undertaking as well as an economic undertaking," Mr. Boutros-Ghali said in his address to the Panel of High-Level Personalities. "Political reform, economic adjustment, regional integration and the promotion of economic justice require a strong political commitment if they are to succeed."

Taking up the Secretary-General's assertion that "peace, stability and security are prerequistes for development," OAU Executive Secretary Ibrahima Sy told the General Assembly that his organization "has geared its efforts to the settlement of conflicts in Africa." The OAU's Mechanism for Conflict Prevention, Management and Resolution was working to restore peace in Rwanda, Somalia, Liberia, Mozambique and Burundi and to avert new violent conflicts, he said. ■

Requests for copies of the following discussion papers prepared for the meeting of Panel of High-Level Personalities on African Development should be addressed to: Mr. Emmanuel Goued Njayick, Officer-in-charge, Office of the Special Coordinator for Africa and the Least Developed Countries (OSCAL; phone 212-963-4731/5006; fax 212 963-3892): ***Economic Integration in Africa***, Layashi Yaker, Executive Secretary of the UN Economic Commission for Africa; ***Note on Diversification of African Economies and Feasibility of a Diversification Fund***, Mr. Yves Berthelot, Executive Secretary of the UN Economic Commission for Europe; ***Problems of Security and African Development***, Brownson N. Dede, Assistant Secretary-General of the Organization of African Unity; ***Regional Cooperation and Integration in Africa***, Simba H.S. Makoni, then Executive Secretary of the Southern Africa Development Community; ***Conducive Conditions for Long-Term Development in Africa***, Catherine Bertini, Executive Director of the World Food

Critical questions of debt, aid and market access must be addressed

Excerpts from Secretary-General's Speech to the 2 December, 1993 meeting of the High-Level Panel on African Development.

"The recent history of Africa has very clearly demonstrated that peace, stability, and security are prerequisites for development. Time and time again, all across Africa, hopeful steps towards development have faltered because of unrest and instability."

". . .it is clear that peace cannot long be preserved where economic injustice is systematically perpetuated, or where the opportunity for economic advancement is continually denied."

It is clear that peace will be fragile if political institutions are not accountable, if political participation is not widespread, or if human rights are not respected."

". . .regional cooperation and integration [is] one of the key areas for the future development of Africa. Regional markets can provide export alternatives for local producers. Regional projects can help to rationalize the use of resources and talent. Through regional alliances, African countries can give themselves the means to negotiate on more avourable terms with their international counterparts."

"Africans have demonstrated that they do not lack courage or commitment in addressing the problems of development. Many African countries are implementing difficult economic adjustment programmes. . . . Structural adjustment is not popular on the streets of Africa. The fruits of these efforts have yet to ripen, but the hardships they have brought are already very apparent. Dislocation, unemployment, and declining living standards are only a few of the immediate difficulties that many countries are now experiencing."

"Regional cooperation has been most effective when it has been broad based. Economic cooperation is helped by political cooperation. Political cooperation is boosted by economic partnership. . . . Regional cooperation should include not only trade, but political, social, and cultural cooperation as well."

"In the face of such challenges, reform has required both courage and political conviction. Governments must be encouraged to stay the course. Greater care must also be taken to help governments address the dire human consequences of such reforms."

"The international community must do its part, by addressing the issues that impede Africa's ability to compete on fair terms. Critical questions such as access to markets, debt relief, technology transfer, and the reorientation of bilateral assistance must be addressed by the international community as a whole."

"While Africa strives to put her own political and economic house in order, the international community must not remain idle or indifferent. . . . The international community must show its support for Africa's reforms by its actions, as well as by its words."

"Political instability discourages support for development. Political conflict destroys the foundations of development."

Delay for Africa's commodity diversification fund

The need for a broader base to Africa's economy is "compelling," UN Secretary-General Boutros Boutros-Ghali argued in his NADAF review. But donor countries stopped short of committing themselves to his proposal for a $50-$75 mn fund, located in the African Development Bank (ADB), that would promote diversification of African products and new marketing opportunities. Instead, the UN General Assembly endorsed "intensive consultations" leading to decisions on appropriate actions to "strengthen support" for economic diversification in Africa, including the possibility of a diversification fund.

"We are disappointed with this position," Mr. Rogatien Biaou of Benin, a member of the African Economic Experts' Group, told *Africa Recovery*. "We never saw a 'new agenda' for Africa in the field and, except for this fund, there were no other concrete proposals for action" in the Secretary-General's review.

Discussions will resume by March between creditor and African countries, the ADB, the UN Conference on Trade and Development, the World Bank and other institutions. Mr. Biaou hopes that the documents requested from the Secretary-General's office by the General Assembly will satisfy US and European Union objections to the diversification fund. "The General Assembly resolution preserves the principle of having the fund," Mr. Biaou said. "What remains is to find the means for arriving at an agreement."

A diversification fund was proposed during NADAF negotiations in 1991. But after stiff resistance from donor countries, the General Assembly agreed to "a study on the need for and feasibility of the establishment of a diversification fund for African commodities," to be presented to the 1993 session. The UN Food and Agriculture Organization (FAO) prepared the study at the Secretary-General's request.

"The region relies on too few commodities for its export earnings," the report says, also noting that such exports "offer little prospect for growth." It argues that diversification through agro-industries and local processing of raw materials is an "appropriate strategy" for economic transformation.

As currently envisaged, the proposed fund would support feasibility studies and the initial stages of diversification schemes, with a view to attracting investors or other sources of finance. It would be set up as a window of the ADB for an initial period of three to four years, with $50-75 mn in voluntary contributions from bilateral and multilateral donors.

African countries would set up national diversification councils, a recommendation endorsed by the General Assembly. With members drawn from government, businesses, farmers, non-governmental organizations, community groups, scientists and aid agencies, the councils would promote viable project proposals in collaboration with the diversification fund.

However, adjustment programmes could hamper diversification efforts of African entrepreneurs by restricting credit, raising interest rates and stripping away essential support services formerly supplied by marketing boards, pointed out Mr. Yves Berthelot, Executive Secretary of the Economic Commission for Europe in a paper to the Secretary-General's High-Level Panel on African Development on 2 December. He stressed the need to develop storage and transport infrastructure, to build up marketing expertise, and secure better access to export markets, both overseas and within Africa. "Debt reduction would obviously make a key contribution to freeing resources to help" in all these areas, Mr. Berthelot added, suggesting debt-for-diversification swaps.

Africa's export prospects* (%)

	1978-88	88-2000
Cereals	4.4	3.2
Sugar	1.6	0.5
Oils & oil meals	-2.8	-0.1
Meat	-3.9	4.9
Coffee	0.3	1.0
Cocoa	4.1	0.4
Tea	4.4	3.7
Bananas	-4.4	3.5
Cotton	4.3	0.6

* annual average growth of major agricultural exports by volume — Source: FAO

Africa's agricultural exports will continue to expand, but for most countries at a much slower rate than in the 1980s. Terms of trade fell 7.5 per cent in 1992 alone and with most commodity prices depressed, and likely to rise only modestly, Africa's narrow export base remains a major constraint on development.

Donor country delegates had argued that the operational procedures of a commodities diversification fund required further definition, and that full utilization of "existing mechanisms" might promote diversification more efficiently.

But "the present level of financing for diversification projects and programmes in Africa is not high enough," the report of the Secretary-General points out. Mr. Biaou adds that the proposed diversification fund is designed precisely to overcome the limitations of existing mechanisms.

The mechanism most frequently referred to is the UN's Amsterdam-based Common Fund for Commodities. However, its operations are not exactly suitable for Africa's need, suggested the Fund's Mr. Getachew Gebre Medhin in a 26 November briefing to the African Group at the UN. He said proposals to the Common Fund must come from recognized international commodity organizations consisting of consumers and producers, and allocations cannot be made on a regional basis or must demonstrate their economic viability. Projects are also expected to bring an economic rate of return to be approved. Only four of the Common Fund's 16 current projects were in Africa. These involve cocoa processing, a pilot project for olive oil, integrated management of a hardwood forest, and a palm and coconut oil extraction project.

"A pre-feasibility study is required for any project submitted to the Common Fund," Mr.

Debt reduction would obviously make a key contribution to freeing resources for economic diversification.

Mr. Yves Berthelot,
Executive Secretary,
Economic Commission for Europe

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Diversification

from page 39

Biaou states, arguing that "no existing facility will finance these studies—not the Common Fund, not the World Bank, not the European Development Fund. We need a mechanism for Africa to finance its feasibility studies."

A new fund, as proposed by Mr. Boutros-Ghali, would finance the pre-investment phase of projects and feasibility studies for multi-country projects, as well as market surveys, testing of new products and technologies and training activities.

Africa's share in world trade has declined steadily, and according to General Agreement on Tariffs and Trade statistics accounted for only 2.6 per cent of world merchandise trade in 1992. World prices for agricultural exports crucial to Africa have been spiralling downward: by 1992, real export prices of coffee and cocoa had fallen 69 per cent from the start of the 1980s, while the price for palm oil had fallen 49 per cent and for sisal and cotton by 47 per cent.

Diminished market opportunities

Sluggish demand for some tropical commodities and protectionism in developed countries both play a role in diminished international market opportunties for Africa, according to the Secretary-General's report. Overall prospects for Africa's main agricultural commodities look dim, the report finds. The dependence of many countries on just one or two such exports for the bulk of their external earnings makes them particularly vulnerable to market fluctuations.

Alternative export items with better market prospects can be developed through horizontal diversification (the creation of new export commodities or new varieties of traditional ones) or vertical diversification (additional processing of primary commodities before they are exported). This can multiply the value of exports, and brings with it control of more advanced technologies.

The report stresses that diversification could be beneficial for trade between African countries and production for domestic consumers as well as enabling better returns to be gained from traditional export markets. ■

Financial flows

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countries to raise their ODA allocations from a current average of 0.33 per cent of their gross national product (GNP) to the UN target of 0.7 per cent. It also calls for better aid coordination and a reduction in the amount of aid directly tied to procurement from the donor country.

Leakage of resources

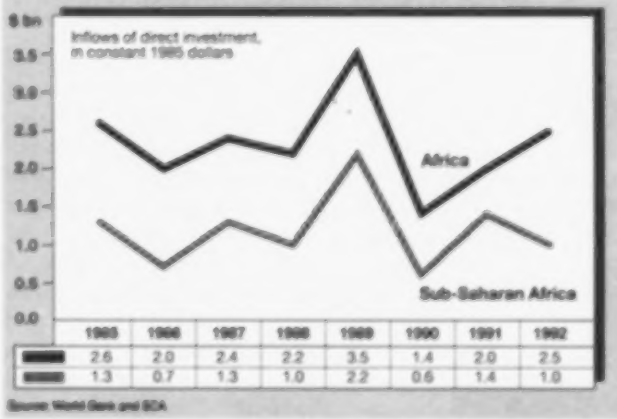
Africa's high debt service burden, which currently amounts to about one-third of the continent's total export earnings, "constitutes a large leakage of resources otherwise available for financing growth and development," says the report.

With ODA debt representing some $30 bn of Africa's burden, the report urges creditor countries to take "bolder measures" such as the adoption by the Paris Club of full Trinidad terms — cancellation of two-thirds of eligible debt as opposed to the 50 per cent currently offered.

Sub-Saharan Africa's debt to multilateral institutions accounts for 25 per cent of total obligations and 40 per cent of total debt servicing payments. The Bretton Woods institutions should consider a menu of debt-relief options, the Secretary-General suggests. This menu should include a one-time allocation of Special Drawing Rights by the International Monetary Fund (IMF) to finance multilateral debt stock reduction, IMF gold sales to clear the arrears of low-income countries, and conversion of debts to the World Bank into equity investments by the Bank's private-sector lending arm, the International Finance Corporation.

Although commercial bank debt is only 15 per cent of sub-Saharan Africa's total debt, it is heavy for countries like Nigeria and Côte d'Ivoire, and creditor governments should exercise "moral suasion" to induce banks to agree to debt reduction, the Secretary-General's report says.

Volatile foreign investment



	1985	1986	1987	1988	1989	1990	1991	1992
Africa	2.6	2.0	2.4	2.2	3.5	1.4	2.0	2.5
Sub-Saharan Africa	1.3	0.7	1.3	1.0	2.2	0.6	1.4	1.0

Source: World Bank and ECA

Boosting foreign investment

Foreign direct investment in Africa has been sparse outside a few mineral-rich countries. Africa's average annual inflows in the 1980s were around $2.5 bn, and have dipped to $2 bn since 1990 (or $1.3 bn and $1 bn respectively for sub-Saharan Africa).

The report says the reasons include local restrictions on capital flows, uncertainty about government commitment to adjustment programmes, poor commodity prices and high levels of debt. Despite efforts in many countries to improve investment climates, the Secretary-General advises further relaxation of "policy and institutional constraints" on FDI, and calls for international support through institution-building and human-resource development in Africa. ■

Africans must take charge, say experts

By Shata Mokgethi

Africa's first step towards recovery is to recognize the depth of its political, social and economic crisis. The second step, according to an unpublished monograph by the Kenyan banker Philip Ndegwa and US economist Reginald Green*, is for Africans to take decisive and collective action to turn the situation around through strategic planning and simple hard work. There is no alternative, the authors argue, because in the current world order, Africans are very much on their own.

African leaders should convene an extraordinary summit to formulate a strategy for "collective survival through self-reliance programmes," the authors argue. This strategy would blend thorough democratization and social justice at national level with more realistic programmes for regional cooperation.

This "imperative political and economic agenda" would replace the "waiting disease" that has appeared to afflict African countries since the onset of structural adjustment programmes (SAPs). Too many countries, they say, are waiting for World Bank and International Monetary Fund (IMF) support, for donors to convene meetings on aid, and for others to take new "initiatives" on Africa's external debt.

Mass poverty and external debt

Instead, African countries should pursue the positive aspects of SAPs, and mobilise for progress on the two crucial issues of mass poverty and external debt. Criticizing SAPs for paying secondary attention to poverty and investment in infrastructure, the authors stress the urgent need for African countries to build poverty-reduction measures into all development policies and programmes. While Africa has little influence on its terms of trade, for example, Africans can take action to improve domestic resource allocation, improve service delivery and enable poor people, particularly small farmers, to produce more.

The authors endorse such SAP policies as financial and monetary discipline; greater reliance on market mechanisms and support for private sector growth; trade tariffs that reduce overprotection and promote exports; and "good governance." But they also urge the World Bank and IMF to move beyond their exclusive focus on securing changes in domestic policies of African countries. These powerful institutions should use more of their influence to encourage bilateral donors to contribute to African recovery in such non-aid areas as trade and debt. African countries should in turn move forward to convene a long overdue international conference on their external debt, under World Bank auspices, argue Mr. Ndegwa and Prof. Green.

No time to waste

Africa's international marginalization should provide strong motivation for the continent to take action on its own development agenda. Not only are the developed countries preoccupied with their domestic and regional problems, but the international economic system will also remain inequitable, unstable and work "in favour of the rich and the powerful countries (or at least against the weak and poor)," the authors state bluntly. In its struggle for survival, therefore, Africa has no time to waste.

Africans can take action to improve domestic resource allocation, improve service delivery and enable poor people, particularly small farmers, to produce more.

Philip Ndegwa and Reginald Green

Outlining a national political agenda, the authors call for a thorough democratization process that promotes social justice by eliminating tribalism, localism, nepotism and corruption, and by giving priority attention to gender issues. The development of non-governmental organizations and community participation also has an important role to play in genuine decentralization, the authors say.

Turning to the "political challenge" of regional cooperation, the authors reject "imported common market models," and stress the need for a process and framework that creates "'vested interests' in each participating country," while "avoiding an overbearing central secretariat." They insist on production-sharing and a process of agricultural modernisation that involves collaboration between countries. World Bank advice that infrastructure should be built according to demand "should be completely disregarded," they argue, pointing out that coordinated development of infrastructure would provide the facilities needed to attract the regionally-oriented private investment crucial to economic recovery and growth.

Solutions to the crippling debt burden also require a collective approach, the authors argue, since the creditors' insistence on a case-by-case approach greatly weakens the negotiating position of individual debtor countries. Action by African countries to convene an international debt conference could encourage the World Bank to insist on realistic ceilings for present and future debt service.

Regional action is also critical for environmental protection, the authors say, arguing that national programmes must not be postponed while waiting for international action. They suggest incentives, rather than coercion, as the route to "a mass base for eco-friendly measures."

Africa on its own

Reminding Africans that external obstacles lie in the path of regional cooperation, the authors stress that collective action is essential for survival and development. They review the failure of the 1986-90 UN Programme of Action for African Economic Recovery and Development, the World Bank's shortcomings, and the "fundamental" inappropriateness of IMF actions for Africa. They criticise the inadequacies of aid, without calling for its immediate end, and point to the "effective strategic planning, priority selection and sequencing" that are critical to effective resource allocation and to hastening the end of external dependence.

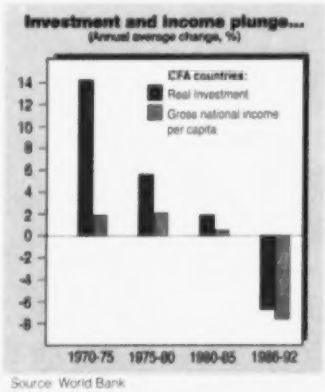
The authors conclude by warning all Africans with "leadership responsibilities," from grassroots to national level, to act decisively, as their survival and progress depend on themselves alone. ■

**This article is a summary of an unpublished monograph by Mr. Ndegwa, Chairman of the Nairobi-based First Chartered Securities and a former Governor of the Central Bank of Kenya, and Mr. Green, Professor at the University of Sussex-based Institute of Development Studies, UK.*

CFA devaluation

from page 3

cent cancellations by the Paris Club of official debt of CFA countries with SAPs. Initial results have not been encouraging (see page 12).



Source: World Bank

Road to devaluation

France had spent a decade rejecting arguments from the Bank and Fund that the CFA franc was overvalued and overdue for change. But five months after Prime Minister Edouard Balladur took office in Paris, and a month after Ivorian President Houphouët-Boigny's death, franc zone leaders flew to Dakar for a 10-11 January meeting.

France, the Fund and the Bank jointly stressed the urgency of devaluation to "restore competitiveness" to franc zone economies in recession since 1986. Without devaluation, it was said, they faced another decade of worsening economic and social crisis. France had warned in September that it would stop plugging budget deficits on 1 January 1994 unless countries agreed on SAPs with the IMF.

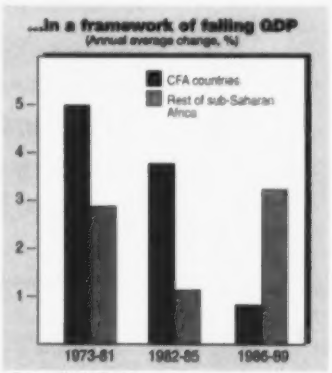
Poverty in Côte d'Ivoire had doubled in 1985-92 to hit 60 per cent of the population and across the zone, average per capita and household incomes had fallen some 40 per cent in the same period. The drop in living standards, said the Bank, was akin to the 1930s' Great Depression of Europe and the US and the current crash in Russia and Eastern Europe.

Franc zone economies were also hit by falling agricultural output, plunging export revenue and a 40 per cent deterioration in terms of trade since 1985. With the CFA franc pegged to a French franc that appreciated by 40 per cent against the US dollar in 1985-92, local industry suffered from high production costs, falling investment, and low levels of maintenance and productivity. Increasing tax evasion eroded government revenue, leading to cuts in services in order to protect civil service incomes "for political reasons," the Bank argued.

The result was increasing diversion of mainly French aid to service ballooning arrears to the Bank and Fund which had suspended most SAPs in the CFA zone. By 1993, CFA countries needed external financing of $8.6 bn to reduce arrears on foreign and domestic payments. Economic circuits were seizing up with a banking system crippled by the growing burden of bad loans to the public and private sectors, and a general liquidity shortage worsened by accelerating capital flight. The outflow of banknotes from the West African zone alone rose from $289 mn in 1986 to a projected $1.2 bn in 1993, over a third of money supply. To stem the rapid outflow, the two CFA central banks suspended the convertibility of banknotes outside the West and Central African zones last August.

Uncertain recovery prospects

This devaluation "will considerably improve the competitiveness of our export commodities, considerably increase the level of productive investment, free our economic potential and generate new jobs," said Ivorian Prime Minister Daniel Kablan Duncan returning from Dakar.



Source: World Bank

But others argue that even if devaluation stimulates export production, it does not increase external demand for the raw materials on which these countries depend, and for which revenue prospects are poor (see page 46). Some stress that local producers face higher input costs; tighter, more costly credit and lower effective demand for years to come. While France promised $52 mn in February to help ease the cashflow problems of French businesses in the franc zone, indigenous businesses face a far more arduous and uncertain future.

With IMF and Bank studies showing that investment tends to fall during SAPs, and the private and public sectors set to contract, job-creation will be very slow. The Bank argues that formal sector wages are "way out of line" with franc zone productive capacity and "must fall initially" during SAPs. Its initial strategy for making this "politically feasible" was seen in the temporary, general subsidies on basic foodstuffs and transport. The aim was to delay the full impact of lost purchasing power on the "most vocal and most important short-term losers," the urban students, unionized workers and civil servants. The next step is to move quickly to "narrowly targeted" subsidies and safety nets for the "truly poor and vulnerable" of the urban informal sector, which France, the IMF and Bank promise to help fund.

But the World Bank's recent analysis of SAPs in Africa (see page 1) suggests that such programmes are often inefficient and do little to reduce poverty. Most CFA countries ran into difficulties with their SAPs particularly over delays in meeting targets for cuts in public sector spending. Now Congo, for example, just emerging from warfare in its capital, Brazzaville, with civil servants unpaid for nine months, has to cut public sector jobs by 9,000, not all of them "ghosts" or people over-retirement age, and more lay-offs will follow.

Franc zone governments must also now push such SAP policies as liberalization of markets, privatization of public enterprises, elimination of monopolies, quantitative restrictions and "other rent-creating mechanisms." Past efforts, the Bank says, were slowed or reversed by "politically powerful interest groups" whose economic power was threatened by such policy changes. The same interest groups retain their power in most franc zone countries but they now face the challenge of spreading the burden of more stringent austerity programmes beyond the numerous "short-term losers" from devaluation and SAPs. The March decision in Côte d'Ivoire to limit official use of Mercedes Benz cars signals some intent to trim public lifestyles. But vulnerable governments will need more than cosmetic measures to promote a controversial route to economic recovery in the already turbulent democratic transition. ■

A day in Alexandra Township

By Djibril Diallo

A squatter settlement in Alexandra has strangled generations of South Africans. Thousands of people there are literally living among the dead. Over the years, the homeless and the uprooted have encroached on graveyard land and between the graves, they have built their shacks. Graves gape within ten metres of where children play. People use anything they can lay their hands on to make a dwelling, including cardboard. Rains spell disaster. For those who live on slopes, the water brings with it all the mess from the graves on higher ground. Sometimes the rains wash the shacks into the local river, the Jukskei.

And among the dead lie the victims of a society driven senseless by hate and fear. Sally remembers 9 March, 1991 as if it were yesterday. That day, her husband Kaiphus left the family home on 18th Avenue to visit a friend who lived in the area around 3rd Avenue in Upper Alexandra. He went on foot as he liked to do when going round the township. Both he and his wife were original residents of Alexandra and they had lived there most of their lives. Just before Kaiphus reached 3rd Avenue, a group of men sprang out of nowhere, carrying machetes. They surrounded him and demanded to know Kaiphus' political allegiance. Kaiphus remained silent. They pounced on him and hacked him to death. Sally had to visit many mortuaries before discovering his body in Baragwanath Hospital in Soweto.

No man's land

As it turned out, the attack on Kaiphus marked the beginning of tremendous violence in Alexandra, a war reportedly between Inkatha and the African National Congress (ANC), but quite probably involving that "Third Force" activity that has contributed to tension in the country. The area where Kaiphus was killed is now called "Beirut" — a no man's land for ordinary people as well as committed and declared supporters of political movements. The residents suffered nightly raids during the confrontation, with some killed and others wounded. The lucky ones ran for their lives. Now they are refugees living in church halls and community centres around the township.

Sally's story reminded me of another scene of violence. The story caught my attention as soon as I boarded the plane on my way to Johannesburg. It was spread all over the cover of the Johannesburg *Sunday Times* with the headline: "Horror Necklacing of Teenage Boy." Under it was the photograph of a friendly-looking, grinning boy, Ernest Mphahlele, sitting in a stationary car with the door open. This 15 year-old boy had been "arrested" by a gang of youths for speeding while driving to a boxing match; he was tried by a "people's court" and sentenced to death. Ernest was hacked to death with machetes and burnt with a petrol-doused tire around his neck.

The article deplored the awful pattern of arbitrary killings that prevails in black townships. But as demonstrated by a subsequent in-depth article in the *New York Times*, Ernest's story "is not so much a tale of senseless death as of a senseless life, a vignette of a world where ruthless children make the rules." Some of these words were from Dolly Mphahlele, Ernest's mother. He had been a member of a violent street gang which terrorized the inhabitants of his hometown Tembisa.

The stories are just another illustration of the spiral of violence into which the apartheid system threw the country. A recent report by the National Children's Rights Committee (NCRC) and United Nations Childrens Fund (UNICEF) declares that in South Africa, "many children are growing up believing that violence is the only way to address problems. Many have lost respect for authority and are subject to no restraint or discipline."

With a population of about 400,000 people, Alexandra is a transit centre between the rural areas and the urban centres. Even before the relaxation of the pass laws, migrants came and settled illegally wherever they could. The flow intensified with the introduction of the new political phase in the country. "We get all the diseases related to people living on top of each other," said Dr. Garth Japhet of the Alexandra Health Centre. Diarrhoeal diseases and acute respiratory infections are rampant. Today, there are some 8,000 street children in the country. They have evolved their own culture of begging and snatching, glue-sniffing and sleeping anywhere they can.

Child abuse has been singled out as one of the three major threats to child survival. In 1989 and 1990, the staff of the Alexandra Health Centre saw more cases of violent child abuse than measles. "One reason for the high incidence of abuse may be that large numbers of children are separated from their parents. As migrant labour disrupted the traditional family structures and created shifting communities, society's way of protecting children has been weakened or destroyed," adds the NCRC/UNICEF report.

Knowledge and resources

The good news from the report is that many of the threats to child survival are preventable. South Africa is one of the few developing countries that has both the knowledge and the resources to ensure the survival and development of all its children. What is urgently required is a policy decision to do something about the challenges facing children. As pointed out by Scholastica Kimaryo, the country's UNICEF Representative, the organization is working hard to ensure that children are put first on the national agenda in these days when all active forces are engaged in a dialogue for reconstruction and the development of a non-racial society. A few milestones have been established: for example, the decision of the Goldstone Commission to include in its terms of reference the impact of violence on women and children.

Come 30 April, a new era will hopefully dawn on South Africa, but the daunting tasks facing the new government will have to include a frontal attack on the psychological impact of the violence that has rocked the country throughout the years of apartheid. According to the NCRC/UNICEF report: "South Africa's future is bleak if today's children grow up believing, erroneously, that shooting, stoning, rape, beating and assault are normal and just part of everyday life." ■

**The African Baobab is one of the world's hardiest trees, thriving in even the most arid environment. It is also the tree under which some Africans traditionally meet to decide issues of common concern.*

AFRICA AGENDA

FORTHCOMING EVENTS

6-9 April, Mexico City, Mexico: "People's Rights and Security: Sustainable Development Strategies for the 21st Century" is the theme of the 21st World Conference of the Society for International Development (SID). Phone SID in Italy at (39-6) 592.5506, or fax 591.9836.

11 April, Montclair, New Jersey, US: "Managing the Economic Transition in South Africa," sponsored by the Centre for Economic Research on Africa at Montclair State College and the Global Education Center. Phone Department of Economics and Finance US (201) 655-5255, or fax 655-5455.

11-14 April, Birmingham, UK: "Housing, Poverty and Developing Countries," the Second Symposium on Housing for the Urban Poor, will focus on the UN's Global Strategy for Shelter to the Year 2000. Contact Rick Groves, Urban & Regional Studies, University of Birmingham, Birmingham B15 2TT, UK.

12-15 April, Geneva, Switzerland: "Population and Development," the Tenth North-South Media Encounter, will be co-sponsored by the Institute of Developmental Studies, the UN Non-Governmental Liaison Service, InfoSud, and Television Suisse Romande. Phone Tina Boillat, Switzerland (41-22) 708-8193, or fax 328-9410.

13-15 April, Providence, Rhode Island, US: "Hunger and Development: Balancing Actions, Linking Local Solutions to Global Policies," the seventh annual Hunger Research Briefing and Exchange, sponsored by the Alan Shawn Feinstein World Hunger Programme, Brown University and InterAction. Phone US (401) 863-2700, or fax 863-2192.

25 April-6 May, Bridgetown, Barbados: UN Global Conference on the Sustainable Development of Small Island Developing States. Phone US (212) 963-7074, or fax 963-5935.

May, Tunis, Tunisia: Expert group meeting to prepare draft African Platform for Action in preparation for the Fourth World Conference on Women, to be held in Beijing, China, in 1995, organized by the UN Economic Commission for Africa.

8-13 May, Accra, Ghana: Africa Travel Association's Annual Congress. Contact US (212) 447-1926, or fax 725-8253.

11-13 May, Nairobi, Kenya: Annual meetings of the African Development Bank and the African Development Fund.

24 June-3 July, Manchester, England: "Cities and Sustainable Development" will be the focus of **"Global Forum '94,"** an international meeting that aims to maintain progress towards the implementation of Agenda 21. Phone UK (44 61) 234-3741, or fax 234-3743.

22-29 August, Harare, Zimbabwe: The International Association of Agricultural Economists will hold its 22nd meeting on the theme of "Agricultural Competitiveness, Market Forces and Policy Choice." Contact Walter J. Armbruster, 1211 W. 22nd Street, Suite 216, Oak Brook, Illinois 60521-2197 US.

5-13 September, Cairo, Egypt: UN Conference on Population and Development, organized by the UN Population Fund. Phone US (212) 297-5000, or fax 370-0201.

17-21 October, Columbus, Ohio, US: UN International Symposium on Trade Efficiency, promoted by UNCTAD, will focus on technology as a tool for trade. Phone Jean Gurunllan, Switzerland (41-22) 907-5544, or fax 907-0052.

October, Geneva, Switzerland: A second High-Level Meeting on Employment and Structural Adjustment, organized by the International Labour Organization, will bring together policy-makers, employers, workers and international organizations.

WHAT'S TAKEN PLACE

22-29 October, 1993, Tunis, Tunisia: The First Arab-African Trade Fair, held by the UN Economic Commission for Africa which also published booklets on promoting tourism, Afro-Arab trade and investment in sub-Saharan Africa.

25-29 October, Washington, US: International Centres Week, a global conference of international agricultural research organizations, announced advances in technologies to increase food production and reduce pesticide use. The conference was sponsored by the Consultative Group on International Agricultural Research. For information call US (202) 473-8913 or 473-3553.

4 November, Arlington, Virginia, US: The Fifth Annual Symposium on Trade and Investment in Africa was organized by the Institute on African Affairs. Phone US (703) 329-1715 or (202) 393-0150.

28 November-3 December, Valletta, Malta: World Non-Governmental Organizations Forum 1993 launched the International Year of the Family 1994. Phone Austria (43-1) 513-8687, or fax 512-1638-75.

Sizing up Africa's progress and international role

President Jerry Rawlings of Ghana delivered the keynote address at the annual meeting of the African-American Institute (AAI) held in Accra on 27 - 30 March. The conference, titled "Reintegrating Africa into the New Global Paradigm," featured sessions on Africa and the UN, African-American relations, new US aid and policy directions, Africa's place in a world of interdependent economies, women and sustainable development, higher education as a development factor and conflict management.

Related themes were discussed at a press conference held by the AAI in New York last October on "Reintegrating Africa into the New World Order." AAI chairman Maurice Tempelsman cited the importance of investment in human development, while AAI president Vivian Lowery Derryck highlighted recent successes of the Organization of African Unity, the Economic Community of West African States, the Preferential Trade Area and the Southern African Development Community. Nigerian Ambassador to the UN Ibrahim Gambari said the continent was shouldering its responsibilities through the establishment of new mechanisms for conflict resolution and prevention.

29 November-4 December, Banjul, The Gambia: "Political Pluralism and Good Governance in Africa: The Implications for the Public Service" was the theme of the 15th Annual Roundtable Conference sponsored by the African Association for Public Administration and Management. Phone Kenya 242-2-521844, or fax 254-2-521845.

2-3 December, Geneva, Switzerland: A Roundtable meeting on Population, Environment, and Sustainable Development was organized by the UN Population Fund. Phone US (212) 297-5222, or fax 297-4915.

13-16 December, New Delhi, India: The Education for All Summit, sponsored by UNESCO, UNICEF, and UNFPA, discussed basic education as a human right and as a way to slow population growth, stimulate sustainable development and ensure child survival. Phone UNESCO, France (33-1) 45-68-17-43, or fax 44-49-06-92.

18-23 February, 1994, San Francisco, California, US: "Energy Policy Research in Africa: Power and Development in the 21st Century," Sponsored by the American Association for the Advancement of Science, Sub-Saharan Programme, 1333 H Street, NW, Washington, DC 20005 US.

February, Cairo, Egypt: Training for Drought Reduction was discussed at the third International Disaster Seminar sponsored by the Disaster and Emergency Reference Centre. Phone Ann Neaf, The Netherlands. Phone (31-19) 730-43-72.

21-24 March, Washington, US: "Africa's Environmental Concerns/The Democratic Transition Four Years Later," sponsored by The Institute on African Affairs. Phone US (202) 393-0150.

24-31 March, Accra, Ghana:"Beyond Survival: African Literature and the Search for New Life" was the theme of the Annual African Literature Association Conference. Fax Professor Abena Busia, US (908) 932-1150.

27-29 March, Missoula, Montana, US: "Training for Refugee Repatriation" was the theme of an international symposium on refugee and development assistance sponsored by the University of Montana and the Japan International Cooperation Agency. Phone Dr. Peter Koehn, US (406) 243-2288, or fax 243-2797.

AFRICA BOOKS

Africa within the World: Beyond Dispossession and Dependence, ed. Adebayo Adedeji (Zed Books, London/African Centre for Development and Strategic Studies (ACDESS), Ijebu-Ode, Nigeria; 1993). Proceedings of an international conference on Africa's marginalization organized by ACDESS and held in Dakar in November 1992. Includes contributions by Prof. Adedeji, historian Basil Davidson and debt expert Susan George.

Reformism and Revisionism in Africa's Political Economy in the 1990s: The Dialectics of Adjustment by Timothy M. Shaw (St. Martin's Press, New York/MacMillan press, London; 1993).

Social Change and Economic Reform in Africa, ed. Peter Gibbon (Scandinavian Institute of African Studies, Uppsala, Sweden; 1993; $24.95). Proceedings of a March 1992 conference held in Harare on structural adjustment and social change in Africa.

Transition to Market: Studies in Fiscal Reform, ed. Vito Tanzi (IMF, Washington; 1993; $30). Includes chapters on Algeria, Angola and Ghana.

Agricultural Transformation and Social Change in Africa, eds. Bernhard Nett, Volker Wulf and Abdramane Diarra (Peter Lang, Frankfurt; 1993; DM 74). Includes papers from a June 1991 conference in Dubrovnik on "Agricultural Transformation in Africa during the 1990s — Present Performance and Future Trends."

Diagnostic rapide pour le développement agricole by Jean-Françcois Mondain (Gret, Paris; 1993; 95 FF).

Transformer les fruits tropicaux by Martine François (Gret, Paris; 1993; 140 FF).

Listening for a Change: Oral Testimony and Development by Hugo Slim and Paul Thompson (Panos, London; 1993; £9.95).

Economic Policies at Cross-Purposes: The United States and Developing Countries by Anne O. Krueger (Brookings Institution, Washington; 1993).

The Politics of Reform in Ghana, 1982-1991 by Jeffrey Herbst (University of California Press, Berkeley, US; 1993; $14)

Agriculture, Liberalization and Economic Growth in Ghana and Côte d'Ivoire by the Organization for Economic Cooperation and Development (OECD, Paris; 1993; $27)

Agriculture and the Policy Environment: Tanzania and Kenya by the Organization for Economic Cooperation and Development (OECD, Paris; 1993; $19)

At the Hand of Man: Peril and Hope for Africa's Wildlife by Ray Bonner (Knopf, New York; 1993; $24)

Popular participation and private enterprise

As part of its efforts to promote popular participation in development, the UN Economic Commission for Africa (ECA) has published a series of booklets, as well as reports on meetings held to encourage dialogue and cooperation between governments and non-governmental organizations (NGOs). The booklets range from case studies of participatory development in Namibia and Uganda, and a code of practice for NGOs in Africa, to a discussion of innovations for increased popular participation in the design and implementation of national development programmes.

Another ECA series focuses on issues under the Special Action Programme for Administration and Management in Africa (SAPAM). Titles include: **Improving the Performance of Public Enterprise Management in Africa: Lessons from Country Experiences; Improving Productivity in African Public Services;** and **Ethics and Accountability in African Public Services.**

With the current emphasis on private sector development, the ECA has a series that includes **Measures for the Stimulation of Development and Promotion of Indigenous Entrepreneurial Capability in Africa;** and **An Enabling Environment for Entrepreneurship Development in Africa.**

In another crucial area, human resources development and utilization, ECA publications include **Africa's Human Resources Agenda for the 1990s and Beyond: Strengthening the Viability of the African University in the 1990s and Beyond;** and a register of **African Experts Available for Recruitment.**

Tanzania and the IMF: The Dynamics of Liberalization, eds. Horace Campbell and Howard Stein (Westview Press, Boulder, CO, US; 1992; $34).

Tanzania: The Limits to Development from Above by Kjell J. Havnevik (Scandinavian Institute of African Studies, Uppsala, Sweden; 1993; $29.95).

Insisting on Peoples' Knowledge to Resist Developmentalism: Peasant Communities as Producers of Knowledge for Social Transformation in Tanzania by Rogate Mshana (Verlag fur Interkulturelle Kommunikation, Frankfurt; 1992).

International Dimensions of the Western Sahara Conflict, eds. Yahia H. Zoubir and Daniel Volman (Praeger Publishers, Westport, CT, US; 1993; $55).

Individual Freedoms and State Security in the African Context: The Case of Zimbabwe by John Hatchard (Ohio University Press, Athens, Ohio, US; 1993; $19.95).

The Agrarian Question in Southern Africa and "Accumulation from Below": Economics and Politics in the Struggle for Democracy by Michael Neocosmos (Research Report No. 93 of the Scandinavian Institute of African Studies, Uppsala, Sweden; 1993; $9.95).

Human Rights and Governance in Africa, eds. Ronald Cohen, Goran Hyden and Winston P. Nagan (University Press of Florida, Gainesville, Florida; 1993; $39.39).

Project Planning, Management and Animation; Gender in Development (vols. I and II of **A Handbook on Participatory Approach to Training**) by Siapha Kamara and Aloysius Denkabe (Freedom Publications, Accra, 1993).

The United Nations and the Bretton Woods Institutions: New Challenges for the 21st Century by Mahbub ul Haq, Khadija Haq, Lal Jayawardena and Richard Jolly (North South Roundtable, New York, 1993). Summary of the themes and conclusions of the North South Roundtable session held at Bretton Woods on 1-3 September. The background papers which served as the basis of the session's discussions will be published as a book in 1994.

Saving the Forests: What Will It Take? by Alan Thein Durning, **Worldwatch Paper 117**, December 1993 (Worldwatch Institute, Washington; $5).

Beyond Adjustment: Responding to the Health Crisis in Africa (Inter-Church Coalition on Africa, Toronto; 1993)

The Health of Adults in the Developing World by Mead Over (World Bank, Washington; 1993; $6.95).

Employment and Development: A New Review of Evidence by the Organization for Economic Cooperation and Development (OECD, Paris; 1993; $47).

Financial Opening: Policy Issues and Experiences in Developing Countries by the Organization for Economic Cooperation and Development (OECD, Paris; 1993; $23).

The Changing Course of International Migration by the Organization for Economic Cooperation and Development (OECD, Paris; 1993; $72).

Critical Juncture: The Future of Peacekeeping, by Michael Renner, **Worldwatch Paper 114**, May 1993 (Worldwatch Institute, Washington; $5).

New Technologies and Enterprise Development in Africa by the Organization for Economic Cooperation and Development (OECD, Paris; 1993; $41).

Technology and Developing Country Agriculture: the Impact of Economic Reform by the Organization for Economic Cooperation and Development (OECD, Paris; 1993; $24).

Evolutionary Technical Change and Flexible Mechanization: Entrepreneurship and Industrialization in Kenya and Zimbabwe by Arni Sverrisson (Lund University Press, Lund,

AFRICA IN BRIEF

"Hunger violates basic human right"

The world produces enough to feed its 5.6 billion people, yet some 1 billion, including 200 million children, are hungry or malnourished. The problem, UN Secretary-General Boutros Boutros-Ghali told an end-November 1993 World Bank conference on hunger in Washington, is "political and social...a problem of access to food supplies, of distribution and of entitlement. Above all, it is a problem of political will."

Hunger "violates that most basic of human rights — the right to survival," he said, stressing the international community's responsibility "to guarantee that right." Poverty-eradication is the basic route to ending global hunger, he added, and called for more attention to health, education, family planning, food production, storage and distribution. World Bank President Lewis Preston recommended increasing the poor's access to credit, land and services. He also called for more investment in education and health, and a greater focus on environmentally sustainable food production.

The World Bank should change its methods to make its programmes directly benefit the poor, said Ms. Carolyn Long, Vice-President of InterAction, a Washington-based consortium of non-governmental organizations. She called on the Bank to promote land reform and to "monitor the damage done to developing countries" by protectionism and agricultural subsidies in industrialized countries.

Former US President Jimmy Carter described such protectionism as "a cruel and most often ignored affliction of starving people." Lamenting the lack of effective approaches to ending hunger, he called for closer collaboration among development agencies.

Botswana President Sir Ketumile Masire stressed the importance of food aid for the poor. Citing Southern Africa which, with UN and international help averted famine in 1992 during "the worst drought in living memory," he said "there is no famine that cannot be overcome if we have the political will." ■

OAU to help resolve conflict in Burundi

The Organization of African Unity (OAU) is to send a mission of mediation and confidence-building to Burundi. Led by OAU Secretary-General's Special Representative Papa Louis Fall of Senegal, the mission will have 47 military observers and 20 civilians, and is to stay for six months. The mission was requested by Burundi's government and originally approved with more numerous personnel by the OAU's new Central Organ of the Mechanism for Conflict Prevention, Management and Resolution at its inaugural ministerial meeting in Addis Ababa in November. The changes in composition were approved at an extraordinary session of the Central Organ on 15 March.

The OAU set up a Peace Fund in November with 5 per cent of its annual budget to finance mediation missions. Other contributors include Algeria ($10,000), and Italy ($200,000), while African ambassadors' wives in Addis Ababa raised $11,000 for the fund. ■

Call for urgent action on social development

Developed countries should turn past promises into concrete support for Africa's efforts to improve its people's welfare, declared the "African common position on human and social development in Africa," presented to the 31 January-11 February 1994 Preparatory Committee meeting for the UN World Summit for Social Development. The summit, scheduled for 11-12 March 1995 in Copenhagen, Denmark, will focus on poverty-reduction, job-creation, and improved social integration.

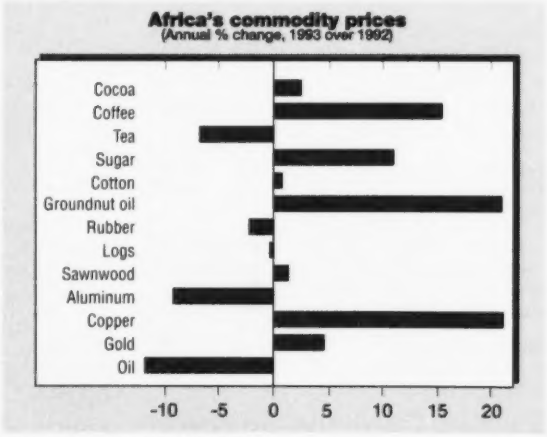
The paper urges African governments to promote labour-intensive investment, improve the status of women, eradicate illiteracy, lower birth rates, and achieve better governance. Noting the repeated but unfulfilled undertak-

Rare good news for African export commodities

Commodity prices posted a clear upturn in 1993, the first since 1988. The World Bank's index of 33 commodities, excluding oil, ended the year at 94.3 (1990 = 100) from a 1992 average of 93, not enough to raise real prices, but still welcome after previous years failed to bring predicted upturns. Eight of Africa's 13 major export commodities monitored by *Africa Recovery* had average prices higher in 1993 than in 1992, though still lower than in 1990. The recovery remains patchy, much of the upturn took place in the last quarter, lessening the impact on revenues for the calendar year.

Oil prices are unlikely to recover significantly in 1994 without major production cuts, leaving African exporters with another tough year. Lower prices mean lower bills for most African countries which are oil importers. For those with rising prices for their own exports, 1994 could markedly improve trade balances. Coffee producers saw a 15 per cent rally in 1993 prices, but only after Latin American and African producers effected their threat to withhold supplies from the market. Analysts predict firm prices in 1994, but no boom, and lower volume may mean stagnant revenue for many producers.

Bad weather has hit the US cotton crop and with demand strong, prices should rise strongly in 1994. A sharp fall in Senegal's output was among the supply constraints pushing groundnut oil prices up sharply. But for cocoa, a production deficit failed to bring a sustained rally. African tea producers have again been hit by lower output and a new low in real prices in 1993, with prospects little better in 1994. But sugar prices could stay firm after rising more than 10 per cent in 1993.



Source: Africa Recovery, World Bank

In metals, aluminium faces the need for large production cutbacks, while copper prices rose by over 20 per cent in 1993, and continued to rise in January. With the interest largely speculative, the underlying demand/supply position suggests more modest price rises. ■

Paul Knowles

UN Somalia peace effort recognized: *Secretary-General Boutros Boutros-Ghali was honoured for his efforts to bring peace to Somalia at the Tenth Annual Awards Dinner (1993) of the African American Institute (AAI) in New York. Mr. Boutros-Ghali received his award from Mr. Roger Wilkins, a noted political figure, historian and Vice-Chairman of the Board of Trustees of AAI.*

ings made by donors, it stresses that such problems as "resource flows, terms of trade, commodity prices and debt must be finally dealt with in a way which no longer frustrates the dreams and hopes" of African people.

Mr. Hugo Ostergard-Andersen, head of the Danish Foreign Ministry department hosting the World Summit, praised the African paper for "recognizing" Africa's responsibility for promoting social development while referring to the need for foreign aid "which is by now clearly recognized by the international community." He told *Africa Recovery* that some of the African proposals could become the basis for the Summit's draft Plan of Action. ■

Funding troubles hits IFAD

The International Fund for Agricultural Development (IFAD), widely hailed for helping to raise small-scale farmers' productivity, has suffered a 50 per cent cut in its most important facility, the Special Programme for Sub-Saharan Africa (SPA). The SPA disbursed $60 mn for seven projects in 1993, but could lend only $30 mn for five projects this year. For over a year, IFAD's main financiers have been deadlocked over funding shares and voting rights. Hit by falling oil income, members of the Organization of Petroleum Exporting Countries (OPEC) want to cut their funding. Developed countries would raise theirs in exchange for some OPEC voting rights on IFAD's governing council. A special committee is working on a compromise. ■

Troubled adjustment efforts

from page 18

have yet to ripen, but the hardships they have brought are already very apparent."

Poverty reduction is actually a high priority for the Bank itself, with President Lewis Preston stressing last year that it would be one of the two benchmarks — the other being economic growth — by which the Bank will measure its success in Africa in the 1990s.

And yet in its "most comprehensive" effort to date on what it acknowledges is "one of the most controversial aspects of its involvement in Africa," the Bank neglected to investigate the impact of adjustment on poverty. It did assert, however, that "the poor are probably better off and almost certainly no worse off" as a result of adjustment — but then admitted that there is a lack of concrete, systematic evidence to back up this claim. Many at the UN as well as in Africa feel that the Bank has been tardy, at best, in gathering information and data on whether its prescriptions of adjustment are actually fuelling poverty.

The report also neglects the other central issue about adjustment: how to make the advocated reforms more sustainable politically and socially. With the report asserting that not a single African country has been able to achieve a sound macroeconomic policy, the question must be asked: how long can the Bank keep proposing policies which in their present formulation remain largely inoperable?

By focusing primarily on a relatively narrow set of macroeconomic measures and indicators, and by adopting a relatively optimistic tone about Africa's future prospects, despite the desperate straits in which most of the continent's people live, the Bank has furthered the perception that it is a "foreign" institution detached from Africa's reality.

Dispelling this perception of detachment should be a priority task for the Bank. The fact is that Africa is anxious to work with the Bank to improve the lives of its people, and recognizes that the Bank is indispensable to the continent's progress. Indeed, in many countries there are influential groups which are keen to establish links with supportive external institutions such as the Bank which would assist in rooting out corruption and other official ills.

The Bank must therefore do more to adopt Africa's concerns as its own, and make sure that it is seen to be more forcefully acting on behalf of the continent's developmental priorities. Forging such a relationship will make it much easier for the Bank to be less defensive about its Africa policies — and easier also for both parties to recognize that the failure of one is also a failure of the other.

Some questionable interpretations

The Bank contends that countries which were the best reformers recorded the best turnaround in GDP. But some of the Bank's own data (see table, p. 17) make it hard to draw such a categorical linkage. For example:

- Two of the Bank's top four reformers, The Gambia and Burkina Faso, appear in the bottom half of the ranking for economic performance. And six countries whose economic performance puts them in the top half — Mozambique, Uganda, Sierra Leone, Niger, Zambia and Gabon — were considered by the Bank to be poor reformers. Mozambique and Uganda actually placed first and third in economic performance.
- In agriculture —one of Africa's most critical sectors because it accounts for 70% of employment — countries in the top league of macroeconomic policy reformers registered a decline in average annual growth rates, and were outperformed even by countries in the "deterioration" category.
- While the Bank regularly takes issue with aggregative analysis that tends to obscure variations in performance by individual African countries, the report itself is not averse to smaller "aggregations" which may suit its own purposes. Why, for example, is Zimbabwe included among the top reformers between 1987-91 when that country did not begin implementing a Bank adjustment programme until late 1991?
- The Bank's view that the "adding up" problem — where higher agricultural commodity production lowers international prices — is confined to only a few exports raises concerns because these account for more than half of Africa's export revenues. In addition, its calculations on the impact of increased production on revenues will provide happy hunting grounds for sceptics.
- Finally, the Bank's conclusion that declining terms of trade, especially the plummeting prices of its commodity exports, had no significant impact on Africa's economic performance is contradicted by a recently released IMF study focusing on this area (see p. 20). ■

AFRICA WATCH

GROUP OF 77

Algerian call for solidarity with Africa

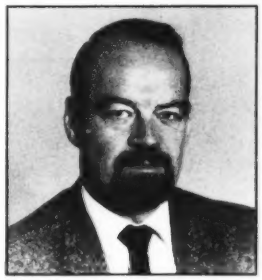
Promoting the UN's New Agenda for the Development of Africa (NADAF) will be the strategic "backbone" of the Group of 77, said Algerian Ambassador Ramtane Lamamra at the 14 January installation of his country as chair for 1994 of the 130-member group. He called for G-77 solidarity with Africa in upcoming negotiations for a commodities diversification fund and finalization of a Convention against desertification.

Mr. Lamamra welcomed the "unprecedented mobilization" of human and financial resources and government attention for UN peace-keeping, but warned against the "persistent tendency to ignore" economic causes of conflict and instability, and to "divert needed resources away from already inadequate" development aid." Another G-77 priority was to follow-up on commitments made at the 1992 Earth Summit. Negotiations for a more democratic Global Environment Facility and the work of the UN's Commission on Sustainable Development were "two decisive tests" of international interest in "genuine North-South partnership," he added.

Outgoing G-77 chairman, Colombian Ambassador Luis Fernando Jaramillo, blamed the international community in great part for Africa's difficulties. G-77 countries needed greater coordination to offset powerful economic institutions and agencies operating outside the UN, but at "the centre of gravity" for major decisions affecting developing countries he said. ■

UN/J Isaac

Mr. José Ayala Lasso


UN/J Isaac

Mr. Peter Hansen

UN/M Grant

Mr. Samir Sanbar

New UN appointments

The UN recently announced new appointments in areas where it is actively involved with African issues. Mr. José Ayala Lasso was appointed by the General Assembly, on the recommendation of Secretary-General Boutros Boutros-Ghali, as the first UN High Commissioner for Human Rights. He was Ecuador's Permanent Representative to the UN since 1989.

In other appointments, Mr. Peter Hansen (Denmark) and Mr. Samir Sanbar (Lebanon) were named by Mr. Boutros Boutros-Ghali to head the Departments of Humanitarian Affairs and Public Information respectively. Mr. Hansen, whose department will be heavily occupied with dealing with African emergencies, was former head of the UN Centre for Transnational Corporations (1985-1992). Mr. Sanbar was the Secretary-General's Special Representative for Eritrea in the period leading up to the referendum on national independence in April last year, and before that Director in charge of the UN's information centres around the world. Raising international awareness of Africa's economic crisis is one of his department's important mandates, as part of which it publishes Africa Recovery.

The Secretary-General also appointed Mr. Lansana Kouyate (Guinea) as Assistant Secretary-General in the Department of Political Affairs (see picture on page 1), and jointly with GATT Director-General Peter Sutherland appointed Mr. J. Denis Bélisle (Canada) Executive Director of the International Trade Centre. In addition, Mr. Jacques Diouf (Senegal) was elected Director-General of the UN Food and Agriculture Organization for a six-year term.

EMERGENCIES

Locusts add to food fears

Severe food shortages could affect up to 8 million people in Ethiopia, Eritrea and Kenya, and other Northern and West African countries which are facing locust infestations.The World Food Programme (WFP) warned in January that 4.4 million Ethiopians and up to two-thirds of Eritrea's population of 2.6 million people are threatened by a serious food crisis. Poor harvests have followed droughts, pests and the aftermath of prolonged warfare affecting the two countries. WFP costs its plans to supply Ethiopia with 55,000 tonnes of food at $26 mn, and Eritrea's 85,300 tonnes at $35 mn. Two years of low rainfall could also bring widespread famine and a 2.2 mn tonne cereal deficit in Kenya, WFP said.

On a related front, the UN General Assembly called last December for emergency funding and action against locust infestations, following a resolution tabled by Algeria. In January, the Food and Agriculture Organization said Mauritania and Senegal had concentrations of locust swarms, with smaller swarms or isolated hoppers in Gambia, Morocco, Cape Verde, Eritrea, Ethiopia and Somalia. ■

IMF

More funding for SAPs

With 90 per cent of targeted financing secured by end-February, the International Monetary Fund (IMF) began operations of its enhanced structural adjustment facility (ESAF) in late February. IMF Managing Director Michel Camdessus has lauded ESAF for its effective support of strong structural adjustment programmes (SAPs) in low-income countries. But some analysts have criticized the excessively strict conditionality of ESAF, pointing to the small number of countries able to meet its performance criteria. By February 1994, 13 African countries had current ESAFs although 40 were eligible, and ESAF lending plunged from $692 mn in 1992 to $312 mn in 1993.

The new ESAF expires on 31 December 1996 with its terms and conditions unchanged. Low-income countries with approved SAPS can get concessional loans, in a three-year framework, at 0.5 per cent interest, repayable over 10 years with five-and-a-half-years' grace.

The IMF says the new ESAF will pay greater attention to social safety nets, and protect SAPS "where feasible" against external shocks that could derail them. It also aims, with the World Bank and other institutions, to provide technical assistance, that is better integrated in the design of SAPs. Mr. Camdessus said the new ESAF would be particularly useful for many countries restructuring their economies after the devaluation of the CFA franc (see page 3).■